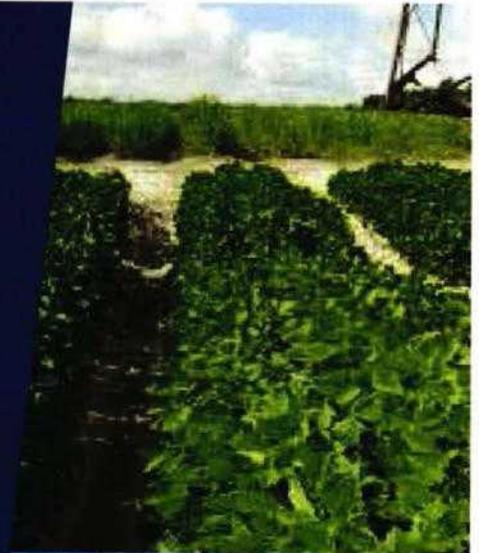


# FINANCIAL STATEMENTS

Town of Gramercy  
6-30-17



# **Town of Gramercy**

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*2017 Financial Statements*

**TOWN OF GRAMERCY, LOUISIANA**

**FINANCIAL REPORT**

**JUNE 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members  
of the Board of Aldermen  
Town of Gramercy, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Gramercy, Louisiana, (the Town) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Gramercy's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Gramercy, Louisiana, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, other post-employment benefit plans on page 47, schedule of the Town's proportionate share of net pension liability on page 48, the schedule of the Town's contributions on page 49, the notes to required supplementary information on page 50 and the budgetary comparison schedule on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary comparison schedules of other revenue and expenditures, the schedule of principal officials and salaries, the schedule of compensation, benefits and other payments to agency head and the insurance-in-force and public utility operations schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules of other revenue and expenditures, schedule of principal officials and salaries, and the schedule of compensation, benefits and other payments to agency head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules of other revenue, and expenditures, schedule of principal officials and salaries and the schedule of compensation, benefits and other payments to agency head are fairly stated in all material respects in relation to the basic financial statements as a whole.

The insurance-in-force and public utility system operations schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the Town of Gramercy, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Gramercy, Louisiana's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Donaldsonville, Louisiana  
December 29, 2017

**TOWN OF GRAMERCY**  
**MANAGEMENTS DISCUSSION AND ANALYSIS**  
**June 30, 2017**

This section of the Town of Gramercy's (The Town) annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the Town's financial statements, which follows this section.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,237,865 (net position). Of this amount, \$2,822,824 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- During the year, the Town's governmental activities expenses and transfers were \$296,550 more than the \$1.8 million generated in charges for services, taxes, and other revenue. In the Town's business-type activities expenses and transfers were \$61,628 more than the approximately \$1.3 million generated in revenues.
- The general fund reported a \$4,303,668 fund balance for the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town's government, reporting the Town's operations in more detail than the government-wide statements.
  - The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer *short* and *long-term* financial information about the activities. The government operates *like businesses*, such as water and sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure of contents of each of the statements.

**TOWN OF GRAMERCY**  
**MANAGEMENTS DISCUSSION AND ANALYSIS**  
**June 30, 2017**

Figure A-1  
Major Features of Town's Government and Fund Financial Statements

	<b>Fund Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire Town government	The activities of the Town that are not proprietary, such as police, fire, and streets	Activities the Town operates similar to private businesses: the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payments are due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**TOWN OF GRAMERCY**  
**MANAGEMENTS DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**Government-wide Statements**

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how they have changed. Net position - the difference between the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources - is one way to measure the Town's financial health, or position.

- Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of the Town's roads.

The government-wide financial statements of the Town are divided into two categories:

- Governmental activities - most of the Town's basic services are included here, such as the police, fire, public works, parks department, and general administration. Property taxes, sales taxes, franchise fees, and interest finance most of these activities.
- Business-type activities - The Town charges fees to customers to help it cover the costs of certain services it provides. The Town's water and sewer system are included here.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Town's most significant funds - not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

The Town has two kinds of funds:

- Governmental funds - Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. In fact, the Town's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

**TOWN OF GRAMERCY**  
**MANAGEMENTS DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

**Net position.** The Town's combined net position decreased between fiscal years 2016 and 2017 to approximately \$9.2 million. (See Table A-1.)

**Table A-1**  
**Town's Net Position**

	Governmental Activities		Business-Type Activities	
	2017	2016	2017	2016
Current and other assets	\$ 4,435,645	\$ 4,516,083	\$ 320,721	\$ 921,971
Capital assets	1,188,400	1,091,323	6,421,745	6,280,221
Restricted assets	-	-	269,149	-
<b>Total assets</b>	<b>5,624,045</b>	<b>5,607,406</b>	<b>7,011,615</b>	<b>7,202,192</b>
Deferred outflows of resources	548,525	365,429	272,486	227,278
<b>Total assets and deferred outflows of resources</b>	<b>6,135,844</b>	<b>5,972,835</b>	<b>7,284,101</b>	<b>7,429,470</b>
Current liabilities	131,977	78,659	226,309	526,689
Long term liabilities	1,609,979	1,151,611	2,152,743	1,905,772
<b>Total liabilities</b>	<b>1,741,956</b>	<b>1,230,270</b>	<b>2,379,052</b>	<b>2,432,461</b>
Deferred inflows of resources	53,620	69,021	44,178	74,510
<b>Total liabilities and deferred inflows of resources</b>	<b>1,795,576</b>	<b>1,299,291</b>	<b>2,423,230</b>	<b>2,506,971</b>
Net position				
Invested in capital assets, net of related debt	1,188,400	1,091,323	5,226,641	5,305,848
Unrestricted (deficit)	3,188,594	3,582,221	(365,770)	(383,349)
<b>Total net position</b>	<b>\$ 4,376,994</b>	<b>\$ 4,673,544</b>	<b>\$ 4,860,871</b>	<b>\$ 4,922,499</b>

Net position of the Town's governmental activities decreased 6.3 percent to approximately \$4.4 million. Net position of the Town's business-type activities decreased approximately 1.3 percent to \$4.9 million.

**TOWN OF GRAMERCY**  
**MANAGEMENTS DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**Changes in net position.** The Town's total revenues decreased by approximately \$86,000 to \$3.1 million. Approximately 40.4 percent of the Town's revenue comes from charges for services, and 28.1 percent comes from tax collections.

The Town's total expenses increased by approximately \$250,000 to approximately \$3.5 million. Approximately 67 percent of the Town's expenses come from governmental activities and 33 percent come from its business-type activities. (See Table A-2)

**Governmental Activities**

Revenues for the Town's governmental activities increased by \$18,800 or 1 percent, while total expenses increased \$281,481 or 13.8 percent.

**Table A-2**  
**Changes in Town's Net Position**

	Governmental Activities		Business-Type Activities	
	2017	2016	2017	2016
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 268,323	\$ 313,778	\$ 985,236	\$ 936,351
Capital grants	1,230	1,527	139,824	290,544
General revenues				
Taxes	745,843	727,956	124,896	128,246
Licenses and permits	196,651	193,358	-	-
Fines and forfeitures	26,517	-	-	-
Intergovernmental	370,989	341,817	-	-
Miscellaneous	218,345	242,450	12,511	11,696
Interest	11,788	-	309	848
<b>Total revenues</b>	<b>1,839,686</b>	<b>1,820,886</b>	<b>1,262,776</b>	<b>1,367,685</b>
<b>Expenses</b>				
General government	841,215	622,400	1,134,086	1,167,284
Public safety	643,131	610,004	-	-
Streets	614,977	571,527	-	-
Fire	3,166	3,492	-	-
Sanitation	224,065	237,640	-	-
<b>Total expenses</b>	<b>2,326,554</b>	<b>2,045,063</b>	<b>1,134,086</b>	<b>1,167,284</b>
<b>Other financing resources (uses)</b>				
Transfers in	190,318	866,930	180,000	280,000
Transfers out	-	(280,000)	(370,318)	(866,930)
<b>Total other financing resources (uses)</b>	<b>190,318</b>	<b>586,930</b>	<b>(190,318)</b>	<b>(586,930)</b>
<b>Increase (decrease) in net position</b>	<b>\$ (296,550)</b>	<b>\$ 362,753</b>	<b>\$ (61,628)</b>	<b>\$ (386,529)</b>

**Business-type Activities**

Revenues for the Town's business - type activities decreased by 7.7 percent to \$1,262,776 while total expenses decreased 2.8 percent to \$1,134,086.

**TOWN OF GRAMERCY**  
**MANAGEMENTS DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As the Town completed the year, its governmental funds reported a combined fund balance of approximately \$4.3 million, a decrease of 3.8 percent from last year.

**General Fund Budgetary Highlights**

Over the course of the year, the Town Council revised the Town budget. These budget amendments were resulted from:

- Federal grant revenues were decreased by \$78,800 and state grant revenue was decreased by \$35,000.
- General government expenditures were adjusted to reflect an increase by \$33,200, street expenditures were adjusted to reflect a decrease of \$32,000 and public safety expenditures were adjusted to reflect an increase of \$53,000.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

At the end of the 2017 fiscal year, the Town had invested approximately \$7.6 million in a broad range of capital assets, including police equipment, buildings, vehicles, and water and sewer systems. (See Table A-3) This amount represents a net increase (including additions and deductions) of \$238,601 or 3.2 percent, over last year.

**Table A-3**  
**Town's Capital Assets**  
 (net of depreciation)

	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 87,520	\$ 87,520	\$ 76,825	\$ 76,825
Plant & Equipment	-	-	6,344,920	5,257,681
Other Improvements	874,161	764,512	-	-
Equipment	190,119	239,291	-	-
Construction in progress	36,600	-	-	945,715
<b>Total</b>	<b>\$ 1,188,400</b>	<b>\$ 1,091,323</b>	<b>\$ 6,421,745</b>	<b>\$ 6,280,221</b>

This year's major capital asset additions included:

General Fund:

- Completion of the Wayne Street Drainage project for approximately \$260,000.

Public Utility Fund:

- Completion of upgrade to Water plant for approximately \$1.4 million.

**TOWN OF GRAMERCY**  
**MANAGEMENTS DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**Outstanding debt.** At the end of the current fiscal year, the Town had bonded debt outstanding of \$1,464,253 as compared to \$1,240,000 in the prior year, an increase of \$224,253 or 18.1 percent. (See Table A-4) More information about the Town's long-term liabilities is presented in Note 6 to the financial statements.

**Table A-4**  
**Town's Outstanding Debt**

	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Sewer Improvement Bonds	\$ -	\$ -	\$ 186,000	\$ 233,000
Water Improvement Bonds			1,278,253	1,007,000
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,464,253</b>	<b>\$ 1,240,000</b>

**CURRENT YEAR ADOPTION OF NEW ACCOUNTING STANDARDS**

For the year ended June 30, 2017, Town of Gramercy adopted Government Accounting Standards Board (GASB) Statement No. 77 (GASB 77), *Tax Abatement Disclosure*.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town's major sources of revenue for the general fund are comprised from sales tax, garbage fees, and video poker at 35%, 12%, and 20% respectively. The economy is not expected to generate any significant growth. All expenditures are expected to be consistent with the current years.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steven T. Nosacka, Mayor, PO Drawer 340, Gramercy, LA 70052.

**TOWN OF GRAMERCY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,968,546	\$ 168,346	\$ 4,136,892
Investments in certificates of deposit	40,000	-	40,000
Other accounts receivable (net)	146,767	152,375	299,142
Due from other governmental agencies	160,074	-	160,074
Prepaid insurance	120,258	-	120,258
Restricted assets - cash	-	269,149	269,149
Capital assets:			
Non-depreciable	87,520	76,825	164,345
Capital assets, net of depreciation	1,100,880	6,344,920	7,445,800
Total assets	5,624,045	7,011,615	12,635,660
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred amounts related to net pension liability	548,525	272,486	821,011
Total deferred outflows of resources	548,525	272,486	821,011
<b><u>LIABILITIES</u></b>			
Accounts payable	93,469	13,560	107,029
Customer service meter deposits	-	90,550	90,550
Payroll taxes payable	5,842	-	5,842
Due to employees' retirement systems	32,666	-	32,666
Accrued interest payable	-	14,798	14,798
Accrued salaries payable	-	2,401	2,401
Payable from restricted assets:			
Bonds payable due within one year	-	105,000	105,000
Long-term liabilities:			
Bonds payable in more than one year	-	1,359,253	1,359,253
Compensated absences	23,791	6,792	30,583
Other post-employment benefits payable	230,279	57,554	287,833
Net pension liability	1,355,909	729,144	2,085,053
Total liabilities	1,741,956	2,379,052	4,121,008
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred amounts related to net pension liability	53,620	44,178	97,798
Total deferred inflows of resources	53,620	44,178	97,798
<b><u>NET POSITION</u></b>			
Net investment in capital assets	1,188,400	5,226,641	6,415,041
Unrestricted	3,188,594	(365,770)	2,822,824
Total net position	\$ 4,376,994	\$ 4,860,871	\$ 9,237,865

The accompanying notes are an integral part of this statement.

**TOWN OF GRAMERCY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Fees, Fines, and Charges for Services	Capital Grants	Governmental Activities	Business-Type Activities	
<b>Functions/Programs</b>						
Primary government:						
<b>Governmental activities:</b>						
General government	\$ 841,215	\$ -	\$ -	\$ (841,215)	\$ -	\$ (841,215)
Streets	614,977	-	1,230	(613,747)	-	(613,747)
Public safety	643,131	-	-	(643,131)	-	(643,131)
Sanitation	224,065	268,323	-	44,258	-	44,258
Fire	3,166	-	-	(3,166)	-	(3,166)
Total governmental activities	2,326,554	268,323	1,230	(2,057,001)	-	(2,057,001)
<b>Business-type activities:</b>						
Public utility	832,408	619,555	139,824	-	(73,029)	(73,029)
Sewer	301,678	365,681	-	-	64,003	64,003
Total business-type activities	1,134,086	985,236	139,824	-	(9,026)	(9,026)
Total primary government	\$ 3,460,640	\$ 1,253,559	\$ 141,054	(2,057,001)	(9,026)	(2,066,027)
General Revenues:						
Taxes				745,843	124,896	870,739
Licenses and permits				196,651	-	196,651
Intergovernmental				370,989	-	370,989
Miscellaneous				218,345	12,511	230,856
Fines and forfeitures				26,517	-	26,517
Interest				11,788	309	12,097
Transfers (to) from other funds				190,318	(190,318)	-
Total general revenues and transfers				1,760,451	(52,602)	1,707,849
Change in net position				(296,550)	(61,628)	(358,178)
Net position - July 1, 2016				4,673,544	4,922,499	9,596,043
Net position - June 30, 2017				\$ 4,376,994	\$ 4,860,871	\$ 9,237,865

The accompanying notes are an integral part of this statement.

**TOWN OF GRAMERCY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,968,546
Investments in certificates of deposit	40,000
Other accounts receivable (net)	146,767
Due from other governmental agencies	160,074
Prepaid insurance	120,258
<b>TOTAL ASSETS</b>	<u><u>\$ 4,435,645</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 93,469
Payroll taxes payable	5,842
Due to employees' retirement systems	32,666
<b>TOTAL LIABILITIES</b>	<u>131,977</u>
 <b>FUND BALANCES</b>	
Unassigned	<u>4,303,668</u>
<b>TOTAL FUND BALANCES</b>	<u>4,303,668</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 4,435,645</u></u>

The accompanying notes are an integral part of this statement.

**TOWN OF GRAMERCY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Total fund balances - governmental funds		\$ 4,303,668
<p>Certain long-term assets applicable to the Town's governmental activities are not available to pay in the current period and accordingly are not reported as fund assets.</p>		
Deferred outflows - related to net pension liability		548,525
Cost of capital assets at June 30, 2017	3,854,581	
Less: accumulated depreciation as of June 30, 2017	<u>(2,666,181)</u>	1,188,400
<p>Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.</p>		
Compensated absences		(23,791)
Other post-employment benefits payable		(230,279)
Net pension liability		(1,355,909)
Deferred inflows - related to net pension liability		<u>(53,620)</u>
 Total net position at June 30, 2017 - governmental activities		 <u>\$ 4,376,994</u>

The accompanying notes are an integral part of this statement.

**TOWN OF GRAMERCY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>
<b><u>REVENUES</u></b>	
Ad valorem taxes	\$ 111,975
Sales taxes	633,868
Garbage fees	214,557
Dumpster fees	3,965
Mosquito control	49,801
Licenses and permits	196,651
Intergovernmental revenue:	
Federal grants	1,230
State funds:	
Beer	5,065
Video poker	365,924
Fines and forfeitures	26,517
Other revenue	206,557
<b>Total revenues</b>	<u>1,816,110</u>
<b><u>EXPENDITURES</u></b>	
Current operating expenditures:	
General government	555,760
Streets	738,304
Public safety	618,888
Sanitation	224,065
Fire department	3,166
<b>Total expenditures</b>	<u>2,140,183</u>
<b><u>DEFICIENCY OF REVENUES OVER</u></b>	
<b><u>EXPENDITURES</u></b>	(324,073)
<b><u>OTHER FINANCING SOURCES</u></b>	
Transfers in	190,318
Transfers out	-
<b>Total other financing sources</b>	<u>190,318</u>
Net change in fund balances	(133,755)
<b><u>FUND BALANCE</u></b>	
Beginning of year	4,437,423
End of year	<u>\$ 4,303,668</u>

The accompanying notes are an integral part of this statement.

**TOWN OF GRAMERCY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Net change in fund balances - governmental fund	\$	(133,755)
The change in net position reported for governmental activities in the statement of activities is different because:		
Add: Capital outlay which is considered expenditures		324,559
Less: Depreciation expense for year ended June 30, 2017		(227,483)
Excess of compensated absences used over compensated absences earned		(1,340)
Other post-employment benefits accrued		(118,968)
Net change in pension liability and deferred inflows/outflows of resources		<u>(139,563)</u>
Change in net position of governmental activities	\$	<u><u>(296,550)</u></u>

The accompanying notes are an integral part of this statement.

**TOWN OF GRAMERCY, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	Public Utility Revenue Fund	Sewer Operating Fund	Total Enterprise
<b><u>ASSETS</u></b>			
Current assets:			
Cash	\$ 146,733	\$ 21,613	\$ 168,346
Accounts receivable (net)	109,595	42,780	152,375
Restricted assets - cash	195,167	73,982	269,149
Total current assets	<u>451,495</u>	<u>138,375</u>	<u>589,870</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	76,825	-	76,825
Capital assets, net of depreciation	5,028,559	1,316,361	6,344,920
Total noncurrent assets	<u>5,105,384</u>	<u>1,316,361</u>	<u>6,421,745</u>
Total assets	<u>5,556,879</u>	<u>1,454,736</u>	<u>7,011,615</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred amounts related to net pension liability	204,378	68,108	272,486
Total deferred outflows of resources	<u>204,378</u>	<u>68,108</u>	<u>272,486</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	6,136	7,424	13,560
Customer service meter deposits	90,550	-	90,550
Payable from restricted assets:			
Bonds payable due within one year	59,000	46,000	105,000
Accrued interest payable	13,512	1,286	14,798
Accrued salaries payable	1,921	480	2,401
Total current liabilities	<u>171,119</u>	<u>55,190</u>	<u>226,309</u>
Noncurrent liabilities:			
Bonds payable in more than one year	1,219,253	140,000	1,359,253
Compensated absences	6,792	-	6,792
Other post-employment benefits payable	57,554	-	57,554
Net pension liability	546,893	182,251	729,144
Total noncurrent liabilities	<u>1,830,492</u>	<u>322,251</u>	<u>2,152,743</u>
Total liabilities	<u>2,001,611</u>	<u>377,441</u>	<u>2,379,052</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred amounts related to net pension liability	33,136	11,042	44,178
Total deferred inflows of resources	<u>33,136</u>	<u>11,042</u>	<u>44,178</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	4,022,298	1,204,343	5,226,641
Unrestricted (deficit)	(295,788)	(69,982)	(365,770)
<b>TOTAL NET POSITION</b>	<u>\$ 3,726,510</u>	<u>\$ 1,134,361</u>	<u>\$ 4,860,871</u>

The accompanying notes are an integral part of this statement.

**TOWN OF GRAMERCY, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Public Utility Revenue Fund	Sewer Operating Fund	Total Enterprise
<b>OPERATING REVENUES</b>			
Sales	\$ 618,530	\$ 363,931	\$ 982,461
Tap fees	1,025	1,750	2,775
Miscellaneous revenues	8,777	3,734	12,511
Total operating revenues	<u>628,332</u>	<u>369,415</u>	<u>997,747</u>
<b>OPERATING EXPENSES</b>			
Salaries	334,372	100,264	434,636
Office expenses	10,654	20	10,674
Miscellaneous expenses	2,602	7,159	9,761
Insurance	80,122	6,614	86,736
Supplies and maintenance	32,428	14,459	46,887
Vehicle expenses	1,827	1,827	3,654
Uniforms	8,572	-	8,572
Professional fees	27,053	9,500	36,553
Retirement	16,646	6,369	23,015
Electricity	29,473	53,200	82,673
Payroll taxes	7,109	2,046	9,155
Laboratory expenses	8,260	7,370	15,630
Chemicals	34,412	7,228	41,640
Depreciation	201,315	72,728	274,043
Capital outlay	-	8,725	8,725
Total operating expenses	<u>794,845</u>	<u>297,509</u>	<u>1,092,354</u>
<b>OPERATING INCOME (LOSS)</b>	(166,513)	71,906	(94,607)
<b>NONOPERATING REVENUE (EXPENSES)</b>			
Federal and state grants	139,824	-	139,824
Ad valorem taxes	70,707	54,189	124,896
Interest revenues	32	277	309
Interest expense	(37,563)	(4,169)	(41,732)
Total nonoperating revenue (expenses)	<u>173,000</u>	<u>50,297</u>	<u>223,297</u>
<b>Income before transfers</b>	6,487	122,203	128,690
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	100,000	80,000	180,000
Transfers out	(50,444)	(319,874)	(370,318)
Total other financing sources (uses)	<u>49,556</u>	<u>(239,874)</u>	<u>(190,318)</u>
<b>CHANGE IN NET POSITION</b>	<b>56,043</b>	<b>(117,671)</b>	<b>(61,628)</b>
Total net position- beginning	<u>3,670,467</u>	<u>1,252,032</u>	<u>4,922,499</u>
Total net position- ending	<u>\$ 3,726,510</u>	<u>\$ 1,134,361</u>	<u>\$ 4,860,871</u>

The accompanying notes are an integral part of this statement.

**TOWN OF GRAMERCY, LOUISIANA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Public Utility Revenue Fund	Sewer Operating Fund	Total Enterprise
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Cash received from customers	\$ 811,605	\$ 367,217	\$ 1,178,822
Cash payments to suppliers for goods and services	(541,096)	(121,085)	(662,181)
Cash payments to employees for services	(381,512)	(124,454)	(505,966)
Net cash (used) provided by operating activities	<u>(111,003)</u>	<u>121,678</u>	<u>10,675</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>			
Transfers (to) from other funds	49,556	(239,874)	(190,318)
Net cash (used) provided by noncapital financing	<u>49,556</u>	<u>(239,874)</u>	<u>(190,318)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
Acquisition of capital assets	(415,567)	-	(415,567)
Principal paid on debt	(55,000)	(47,000)	(102,000)
Bond proceeds	326,253	-	326,253
Subsidy from grants	139,824	-	139,824
Interest paid on indebtedness	(37,563)	(4,169)	(41,732)
Receipt of ad valorem taxes	70,707	54,189	124,896
Net cash provided by capital and related financing activities	<u>28,654</u>	<u>3,020</u>	<u>31,674</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>			
Interest earned on investments	32	277	309
Net cash provided by investing activities	<u>32</u>	<u>277</u>	<u>309</u>
Net decrease in cash and cash equivalents	(32,761)	(114,899)	(147,660)
Cash and cash equivalents - beginning of year	<u>374,661</u>	<u>210,494</u>	<u>585,155</u>
Cash and cash equivalents - end of year	<u>\$ 341,900</u>	<u>\$ 95,595</u>	<u>\$ 437,495</u>

The accompanying notes are an integral part of this statement.

**TOWN OF GRAMERCY, LOUISIANA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Public Utility</u> <u>Revenue</u> <u>Fund</u>	<u>Sewer</u> <u>Operating</u> <u>Fund</u>	<u>Total</u> <u>Enterprise</u>
<b><u>RECONCILIATION OF INCOME (LOSS) FROM</u></b>			
<b><u>OPERATIONS TO NET CASH PROVIDED BY</u></b>			
<b><u>OPERATING ACTIVITIES:</u></b>			
Income (loss) from operations	\$ (166,513)	\$ 71,906	\$ (94,607)
Adjustments to reconcile income (loss)			
from operations to net cash provided (used)			
by operating activities:			
Depreciation	201,315	72,728	274,043
Pension	4,454	5,517	9,971
OPEB	26,409	-	26,409
Net change in assets and liabilities:			
Accounts receivable	186,639	(2,198)	184,441
Deferred outflows of resources	(31,632)	(13,576)	(45,208)
Accounts payable	(305,693)	(1,213)	(306,906)
Other liabilities	(10,179)	(3,770)	(13,949)
Deferred inflows of resources	(22,616)	(7,716)	(30,332)
Compensated absences	1,338	-	1,338
Customer service meter deposits	5,475	-	5,475
Total adjustments	55,510	49,772	105,282
Net cash provided (used) by operating activities	\$ (111,003)	\$ 121,678	\$ 10,675
Cash Consists of :			
Cash	146,733	21,613	168,346
Restricted assets - cash	195,167	73,982	269,149
	\$ 341,900	\$ 95,595	\$ 437,495

The accompanying notes are an integral part of this statement.

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

The Town of Gramercy, Louisiana (Town) was incorporated on November 27, 1947, and operates under a Mayor - Board of Aldermen form of government. As authorized by its charter, the Town is responsible for public safety, highways and streets, sanitation, public improvements, and general administrative services.

The Town's basic financial statements consist of the government-wide statements and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. The entity-wide financial statements follow the guidance included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:517, to the guidance set forth in the *Louisiana Governmental Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units* published by the American Institute of Certified Public Accountants.

**Financial Reporting Entity**

Governmental Accounting Standards Board (GASB) Statement No. 61, Section 2100, *Defining the Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Since the Town is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments, it is considered a primary government under the provisions of this Statement. As used in GASB Statement No. 61, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. Additionally, the Town does not have any component units, which are defined by GASB Statement No. 61 as other legally separate organizations for which the elected officials are financially accountable. There are no other primary governments with which the Town has a significant relationship.

The following is a summary of certain significant accounting policies and practices:

**Basis of Presentation, Basis of Accounting**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the Town of Gramercy. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between *the governmental and business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies** (continued)

Basis of Presentation, Basis of Accounting (continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The Town reports the following major governmental funds:

- a. General Fund - This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following two major enterprise funds:

Public Utility Fund and Sewer Fund - These funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing the goods or services to the general public on a continuing basis be financed or recovered through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting

*Government-wide, and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

## TOWN OF GRAMERCY, LOUISIANA

### NOTES TO FINANCIAL STATEMENTS

#### **1. Summary of Significant Accounting Policies** (continued)

##### Measurement Focus, Basis of Accounting (continued)

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

##### Pension Plans

The Town of Gramercy is a participating employer in a cost-sharing, multiple-employer defined benefit pension plan as described in Note 10. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions for the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within the plan.

##### Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. A proposed budget is prepared and submitted to the Mayor and Board of Aldermen prior to the beginning of each fiscal year.
2. The proposed budget is published in the official journal and made available for public inspection. A public hearing is held to obtain taxpayer comments.

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies** (continued)

**Budgets and Budgetary Accounting** (continued)

3. The budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
4. Budgetary amendments involving the transfer of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts originally estimated require the approval of the Board of Aldermen.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. Budgets for the general, debt service, and proprietary funds are adopted on bases consistent with accounting principles generally accepted in the United States of America (GAAP).
7. Louisiana R.S. 39:1310 requires budgets to be amended when revenue collections plus projected revenue collections for the remainder of a year, within a fund, are failing to meet estimated annual budgeted revenues by five percent or more or expenditures plus projected expenditures for the remainder of the year, within a fund, are exceeding estimated budgeted expenditures by five percent or more.

The level of budgetary control is total appropriations. Budgeted amounts are as originally adopted, or as amended by the Board. For the year ended June 30, 2017, amended budgeted revenues decreased from original budgeted amounts for the general fund by approximately \$142,000 and expenditures increased approximately \$41,000.

**Cash, Cash Equivalents, and Investments**

Cash, cash equivalents, and investments include demand deposit accounts, interest-bearing demand accounts, certificates of deposit, and investments in the Louisiana Asset Management Pool with a maturity date within three months of the date of acquisition. Under Louisiana Revised Statutes 39:1271 and 33:2955, the Town may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, and time certificates of deposit with state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasury and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Under State Law, the Town may invest in certificates of deposits. These are classified as cash equivalents if the original maturities are 90 days or less; however, if their original maturity exceed 90 days, these are classified as investments. Investments are stated at cost and approximate fair value. These certificates of deposits have original maturities between 4 and 12 months.

**Restricted Assets**

Certain customer meter deposits, debt service sinking funds, and ad valorem tax collections are legally restricted as to purpose. These assets have been classified as restricted assets on the Statement of Net Position since the use of these funds is limited by applicable deposit agreements, bond covenants, and tax millages.

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies** (continued)

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Lives</u></b>
Buildings	40
Building Improvements	15
Other Improvements	20-40
Vehicles	5-15
Equipment	3-15

The proprietary fund type operations are accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets used by the proprietary funds is charged as an expense against their operations. Depreciation has been provided over the assets' estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Sewerage system	40	years
Waterworks system	40	years
Office equipment	5-10	years
Automotive equipment	3-5	years

All fixed assets are stated at historical cost.

**Accounts Receivable**

Uncollectible amounts due from customers for utility services are recognized through the establishment of an allowance for uncollectible accounts at the time information becomes available which indicates the uncollectibility of the particular receivable.

**Accumulated Unpaid Vacation**

Employees earn vacation leave on January 1<sup>st</sup> of each year at various rates depending upon the length of their employment. Employees must use their vacation leave in the year earned. The liability for compensated absences reported in the governmental-wide statements consists of unpaid, accumulated annual leave balances at June 30, 2017.

## TOWN OF GRAMERCY, LOUISIANA

### NOTES TO FINANCIAL STATEMENTS

#### **1. Summary of Significant Accounting Policies** (continued)

##### Long Term Debt

In the government-wide Statement of Net Position and in the proprietary fund types' financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs, excluding any prepaid bond insurance, are reported as expense in the year of debt issuance. Bonded debt premiums, discounts, and gains (losses) on refundings are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable is reported net of the applicable bond premium or discount. Gains (losses) on refundings are reported as deferred outflows/inflows of resources.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current financial reporting period. The face amount of the debt issue is reported as "other financing sources." Premiums received on debt issuances are reported as "other financing sources" and discounts on debt are reported as "other financing uses."

Excess revenue contracts, loans, and notes are obligations of the general government and payment of these debts are normally provided by transfers from the General Fund to a debt service fund. However, if a debt is intended to be repaid by an enterprise fund it is recorded as a proprietary long-term debt.

Ad valorem tax revenue bonds are secured by ad valorem tax revenues. For those issues not associated with enterprise fund operations, payment of the debt is provided by ad valorem tax revenue recognized in the appropriate debt service fund. Ad valorem tax revenue bond issues associated with enterprise funds are accounted for in the relevant enterprise fund.

##### Interfund Balances / Transfers

Advances between funds which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the transfers are accounted for through the various due from and due to accounts.

##### Deferred Outflows/Inflows of Resources

The statement of financial position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. *Deferred outflows* of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. *Deferred inflows* of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The primary government's deferred outflows of resources on the statement of net position are a result of deferrals concerning pensions.

Note 10 presents detailed information concerning the amounts related to pensions, reported in the deferred inflows and deferred outflows sections of the statement of net position.

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies** (continued)

Statements of Cash Flows

For purposes of the statements of cash flows, the Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Encumbrances

Encumbrances accounting, under which contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Town carries commercial insurance for all risks of loss.

Equity Classifications

*Government-wide Statements:* In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use for a particular project or service, it is the Town’s policy to use restricted resources first, then unrestricted resources as they are needed.

## TOWN OF GRAMERCY, LOUISIANA

### NOTES TO FINANCIAL STATEMENTS

#### **1. Summary of Significant Accounting Policies (continued)**

##### Equity Classifications (continued)

*Fund Financial Statements:* In the fund financial statements, governmental fund equity is classified as fund balance. As such, fund balance of the governmental fund is classified as follows:

- Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- Committed – amounts that can be used only for specific purposes determined by a formal decision of the Town, which is the highest level of decision-making authority.
- Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.
- Unassigned – all other spendable amounts.

When expenditures are incurred for the purposes for which both restricted and unrestricted amounts are available, the Town reduces restricted amounts first, followed by unrestricted amounts. When expenditures are incurred for purposes for which committed, assigned, or unassigned amounts are available, the Town reduces committed amounts first, followed by assigned amounts, and finally unassigned amounts, as needed, unless the Town has provided otherwise in its committed or assignment actions.

##### Arbitrage Liability

Section 148 of the Internal Revenue Code of 1986, as amended, requires that issuers of tax exempt debt make arbitrage calculations annually on bond issues issued after August 31, 1986, to determine whether an arbitrage rebate liability exists between the issuer and the U.S. Department of Treasury. Arbitrage is the difference (or profit) earned from borrowing funds at tax exempt rates and investing the proceeds in higher yielding taxable securities. There are no arbitrage rebate liabilities outstanding to the U.S. Department of Treasury for Town issues at June 30, 2017.

##### Current Year Adoption of New Accounting Standards

GASB 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The provisions of GASB 77 are effective for reporting periods beginning after December 15, 2015.

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Cash, Cash Equivalents and Investments**

At June 30, 2017, the carrying amounts of the Town's cash and cash equivalents and investments were as follows:

Cash and cash equivalents	\$ 4,136,892
Investments in certificates of deposit	40,000
Restricted cash	269,149
	<u>\$ 4,446,041</u>

Under state law, these deposits must be secured by either federal deposit insurance or by the pledge of securities owned by a fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank.

Custodial credit risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. At year-end, the Town's bank balance was \$1,967,683, including certificates of deposits and was not exposed to custodial credit risk.

Securities that may be pledged as collateral consist of obligations of the U.S. Government and its agencies, obligations of the State of Louisiana and its municipalities and school districts.

At June 30, 2017, the Town also had invested \$2,427,100 in the Louisiana Asset Management Pool (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Codification Section I50.126, the investment in LAMP at June 30, 2017 is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investment is in the pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form. Due to the short-term nature of the LAMP portfolio and the immediate access at par feature, investments in LAMP are considered cash equivalents by the Town.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the state of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955.

GASB Statement No. 40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a governmental investment pool that reports at fair value. The following facts are relevant for investment pools:

Credit risk: LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no public disclosure is required.

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Cash, Cash Equivalents and Investments (continued)**

Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM of LAMP's total investments is 1.03 % (from LAMP's monthly Statement of Net Assets) as of June 30, 2017.

Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pools is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**3. Capital Assets**

Capital assets and depreciation activity as of and for the year ended June 30, 2017, are as follows:

Governmental activities:	<u>Land</u>	<u>Buildings</u>	<u>Other Improvements</u>	<u>Equipment</u>	<u>Construction In Progress</u>	<u>Total</u>
Cost of capital assets						
June 30, 2016	\$ 87,520	\$ 285,736	\$ 2,232,811	\$ 923,955	\$ -	\$ 3,530,022
Additions	-	-	-	28,832	295,727	324,559
Transfers	-	-	259,127	-	(259,127)	-
Cost of capital assets						
June 30, 2017	<u>87,520</u>	<u>285,736</u>	<u>2,491,938</u>	<u>952,787</u>	<u>36,600</u>	<u>3,854,581</u>
Accumulated depreciation						
June 30, 2016	-	285,736	1,468,298	684,664	-	2,438,698
Additions	-	-	149,479	78,004	-	227,483
Accumulated depreciation						
June 30, 2017	<u>-</u>	<u>285,736</u>	<u>1,617,777</u>	<u>762,668</u>	<u>-</u>	<u>2,666,181</u>
Capital assets, net of accumulated						
depreciation at June 30, 2017	<u>\$ 87,520</u>	<u>\$ -</u>	<u>\$ 874,161</u>	<u>\$ 190,119</u>	<u>\$ 36,600</u>	<u>\$ 1,188,400</u>

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**3. Capital Assets (continued)**

Depreciation expense of \$227,483 for the year ended June 30, 2017 was charged to the following governmental functions:

General Government	\$ 24,533
Streets	172,400
Public Safety	30,550
	<u>\$ 227,483</u>

Business-Type activities:

	<u>Land</u>	<u>Plant &amp; Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost of capital assets				
June 30, 2016	\$ 76,825	\$ 11,245,162	\$ 945,715	\$ 12,267,702
Additions	-	4,420	411,147	415,567
Transfers	-	1,356,862	(1,356,862)	-
Cost of capital assets				
June 30, 2017	<u>76,825</u>	<u>12,606,444</u>	<u>-</u>	<u>12,683,269</u>
Accumulated depreciation				
June 30, 2016	-	5,987,481	-	5,987,481
Additions	-	274,043	-	274,043
Accumulated depreciation				
June 30, 2017	<u>-</u>	<u>6,261,524</u>	<u>-</u>	<u>6,261,524</u>
Capital assets, net of accumulated depreciation at				
June 30, 2017	<u>\$ 76,825</u>	<u>\$ 6,344,920</u>	<u>\$ -</u>	<u>\$ 6,421,745</u>

For the year ended June 30, 2017, depreciation expense was \$ 274,043 and was charged to the following functions:

Public Utility	\$ 201,315
Sewer	72,728
	<u>\$ 274,043</u>

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**3. Capital Assets (continued)**

**Construction Commitment**

The Town has an active construction contract at June 30, 2017 totaling \$68,965. The remaining commitment on active construction projects at June 30, 2017 is as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Commitment</u>
General Fund:		
Gramercy Road Upgrades	\$ 68,965	\$ 32,365
Total commitment	<u>\$ 68,965</u>	<u>\$ 32,365</u>

**4. Receivables**

Receivables as of June 30, 2017 for the Town's governmental and business type funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Taxes:			
Property	\$ 1,203	\$ 3,040	\$ 4,243
Total taxes	<u>1,203</u>	<u>3,040</u>	<u>4,243</u>
Accounts			
Charges for services	29,934	117,236	147,170
Total accounts	29,934	117,236	147,170
Less: allowance	<u>(5,026)</u>	<u>(4,709)</u>	<u>(9,735)</u>
Accounts, net	<u>24,908</u>	<u>112,527</u>	<u>137,435</u>
Other	120,656	36,808	157,464
Total receivables	<u>\$ 146,767</u>	<u>\$ 152,375</u>	<u>\$ 299,142</u>

**5. Due from Other Governmental Agencies**

Amounts due from other governmental units at June 30, 2017 consist of the following:

	<u>Due from other</u>
St. James Parish – sales tax	\$ 140,631
St. James Parish – P&M sales tax	19,443
	<u>\$ 160,074</u>

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. Long-term liabilities**

The following is a summary of the changes in long-term obligations for during the year ended June 30, 2017:

**Bonds Payable**

	<u>Balance 6/30/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/17</u>	<u>Amt due within 1 year</u>	<u>Amt due after 1 year</u>
Business –type activities:						
2013 Sewer Improvement bonds–general obligation refunding bonds	\$ 233,000	\$ -	\$ 47,000	\$ 186,000	\$ 46,000	\$ 140,000
2013 Water Improvement bonds–general obligation bonds	1,007,000	-	45,000	962,000	46,000	916,000
2016 Water Improvement bonds–general obligation bonds	-	326,253	10,000	316,253	13,000	303,253
	<u>\$1,240,000</u>	<u>\$ 326,253</u>	<u>\$ 102,000</u>	<u>\$1,464,253</u>	<u>\$ 105,000</u>	<u>\$1,359,253</u>

Bonds payable at June 30, 2017, were comprised of the following individual issues:

Business-type activities:

\$358,000 General Obligation Refunding Bond Series 2013;  
due in various semi-annual installments, including interest  
at 1.77%, through March 1, 2021; payable from ad  
valorem taxes

\$ 186,000

\$1,500,000 General Obligation Bond Series 2013; due in  
various semi-annual installments, including interest  
at 2.95%, through March 1, 2033; payable from ad  
valorem taxes

962,000

\$500,000 General Obligation Bond Series 2016; due in  
various semi-annual installments, including interest  
at 2.95%, through March 1, 2036; payable from ad  
valorem taxes

316,253

Total debt

\$ 1,464,253

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. Long-term liabilities** (continued)

**Bonds Payable** (continued)

The annual requirements to amortize all outstanding revenue bonds as of June 30, 2017, including interest payments of \$423,349 are as follows:

Year ending June 30,	Amount
2018	\$ 151,456
2019	150,670
2020	151,804
2021	149,850
2022	101,845
Thereafter	1,181,977
	<u>\$ 1,887,602</u>

As part of the various Bond agreements the Town has agreed to comply with certain covenants. The covenants consist, primarily, of reporting and auditing requirements, insurance coverage, restrictions on additional debt, maintenance of various deposit accounts, and other administrative requirements. The Town has classified restricted cash within its general ledger accounting system, and has maintained separate deposit accounts required by the covenants. Both bonds are payable from ad valorem taxes.

**7. Ad Valorem Taxes**

Ad valorem taxes attach as enforceable liens on all applicable property on February 28<sup>th</sup> of each year. Taxes are levied and are billed to the taxpayers in November of each year. Billed ad valorem taxes become delinquent on January 1<sup>st</sup> of the following calendar year.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of St. James Parish. During the year ended June 30, 2017, taxes of 5.99 mills were levied on property with assessed valuations totaling \$18,566,677 for general purposes. Within the 5.99 mills levied for general purposes, are funds designated for the repayment of the \$500,000 water improvement bonds. Additional taxes of 2.92 mills for the \$358,000 sewer improvement bonds and 3.81 mills for the \$1.5 million water improvement bonds were levied on the same property for the purpose of accumulating enough funds to service the annual debt requirements as they become due. Levied mills expire at the expiration of each debt requirement.

Ad valorem taxes levied during the year ended June 30, 2017, totaled approximately \$236,000.

**8. Transfers to/from Other Funds**

Interfund transfers at June 30, 2017, were as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 190,318	\$ -
Enterprise Funds:		
Public Utility Revenue Fund	100,000	50,444
Sewer Operating Fund	80,000	319,874
	<u>\$ 370,318</u>	<u>\$ 370,318</u>

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. Individual Funds with Deficits**

Expenses / expenditures exceeded revenues during the fiscal year ended June 30, 2017 for the following fund:

General Fund	\$ 170,481
Sewer Fund	117,671
	<u>\$ 288,152</u>

The deficit was covered by the fund balance or net position carried forward from previous years.

**10. Pension and Retirement Plans**

The Town of Gramercy (the Town) is a participating employer in two cost-sharing defined benefit pension plans. These plans are administered by two public employee retirement systems, the Municipal Employees' Retirement System of Louisiana (MERS) and the Municipal Police Employees' Retirement System (MPERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. Each system is administered by a separate board of trustees.

Each of the Systems issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or downloading the reports as follows:

MERS:  
7937 Office Park Boulevard  
Baton Rouge, Louisiana 70809  
(225) 925-4810  
www.mersla.com

MPERS:  
7722 Office Park Boulevard, Suite 200  
Baton Rouge, LA 70809  
(225) 929-7411  
www.lampers.org

The Town implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68. These standards require the Town to record its proportional share of each of the pension plans Net Pension Liability and report the following disclosures:

**Plan Descriptions:**

**Municipal Employees' Retirement System of Louisiana (MERS)**

The Municipal Employees' Retirement System of Louisiana (MERS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The plan provides retirement, disability, and survivor benefits to eligible state employees as defined in LRS 11:1732. The age and years of creditable service required in order for a member to receive retirement benefits are established by LRS 11:1801.

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**10. Pension and Retirement Plans** (continued)

**Plan Descriptions:** (continued)

**Municipal Police Employees' Retirement System (MPERS)**

The Municipal Police Employees' Retirement System (MPERS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The plan provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211- 11:2233.

**Funding Policy**

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee (PRSAC).

Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2017, for the Town and covered employees were as follows:

	<u>Town</u>	<u>Employees</u>
Municipal Employees' Retirement System Plan A		
Members hired prior to 01/01/2013	22.75%	9.50%
Members hired after 01/01/2013	22.75%	9.50%
Municipal Police Employees' Retirement System		
All employees hired prior to 01/01/2013 and all		
Hazardous Duty employees hired after		
1/01/2013	31.75%	10.00%
Non-Hazardous Duty (hired after 01/01/2013)	31.50%	8.00%
Employees receiving compensation below		
poverty guidelines of US Department of		
Health	32.00%	7.50%

The contributions made to the Systems for the past three fiscal years, which equaled the required contributions for each of these years, were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Municipal Employees' Retirement System			
Plan A	\$ 148,110	\$ 111,875	\$ 113,629
Municipal Police Employees' Retirement			
System	\$ 75,503	\$ 61,451	\$ 57,317

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**10. Pension and Retirement Plans** (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The following schedule lists the Town's proportionate share of the Net Pension Liability allocated by each of the pension plans for based on the June 30, 2016 measurement date. The Town uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2017 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2016 along with the change compared to the June 30, 2015 rate. The Town's proportion of the Net Pension Liability was based on the Town's contributions to the pension plan relative to all participating employers.

	Net Pension Liability at June 30, 2016	Rate at June 30, 2016	Increase (Decrease) on June 30, 2015 Rate
Municipal Employees' Retirement System Plan A	\$ 1,388,053	0.3387%	0.0016%
Municipal Police Employees' Retirement System	697,000	0.0744%	0.0063%
	\$ 2,085,053		

The following schedule lists the pension plan's recognized pension expense of the Town for the year ended June 30, 2017:

Municipal Employees' Retirement System Plan B	\$ 198,364
Municipal Police Employees' Retirement System	133,601
	\$ 331,965

At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (54,965)
Changes of assumptions	84,417	(42)
Net difference between projected and actual earnings on pension plan investments	424,244	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	88,737	(42,791)
Employer contributions subsequent to the measurement date	223,613	-
Total	\$ 821,011	\$ (97,798)

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**10. Pension and Retirement Plans** (continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

Summary totals of deferred outflows of resources and deferred inflows of resources by pension plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Municipal Employees' Retirement System Plan A	\$ 518,724	\$ (84,101)
Municipal Police Employees' Retirement System	302,287	(13,697)
	<u>\$ 821,011</u>	<u>\$ (97,798)</u>

The Town reported a total of \$223,613 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2016 which will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2018. The following schedule list the pension contributions made subsequent to the measurement period for each pension plan:

	<u>Subsequent Contributions</u>
Municipal Employees' Retirement System Plan A	\$ 148,110
Municipal Police Employees' Retirement System	75,503
	<u>\$ 223,613</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>MERS</u>	<u>MPERS</u>	<u>Total</u>
2017	\$ 68,724	\$ 73,544	\$ 142,268
2018	65,903	57,919	123,822
2019	102,713	54,384	157,097
2020	49,173	27,240	76,413
	<u>\$ 286,513</u>	<u>\$ 213,087</u>	<u>\$ 499,600</u>

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**10. Pension and Retirement Plans (continued)**

**Actuarial Assumptions**

A summary of the actuarial methods and assumptions used in determining the total pension liability for each pension plan as of June 30, 2016 are as follows:

	<u>MERS</u>	<u>MPERS</u>								
<b>Valuation Date</b>	June 30, 2016	June 30, 2016								
<b>Actuarial Cost Method</b>	Entry Age Normal Cost	Entry Age Normal cost								
<b>Actuarial Assumptions:</b>										
<b>Expected Remaining Service Lives</b>	3 years	4 years								
<b>Investment Rate of Return</b>	7.50%	7.50% net of investment expenses								
<b>Inflation Rate</b>	2.875%	2.875%								
<b>Mortality</b>	<p>For annuitant and beneficiary mortality tables used were RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.</p> <p>For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.</p> <p>For disable Annuitants, RP-2000 Disable Lives Mortality Table set back 5 years for males and set back 3 years for females.</p>	<p>Mortality assumptions were set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.</p>								
<b>Salary Increases</b>	5.0%	<table border="0"> <thead> <tr> <th align="center"><u>Years of Service</u></th> <th align="center"><u>Salary Growth Rate</u></th> </tr> </thead> <tbody> <tr> <td align="center">1-2</td> <td align="center">9.75%</td> </tr> <tr> <td align="center">3-23</td> <td align="center">4.75%</td> </tr> <tr> <td align="center">Over 23</td> <td align="center">4.25%</td> </tr> </tbody> </table>	<u>Years of Service</u>	<u>Salary Growth Rate</u>	1-2	9.75%	3-23	4.75%	Over 23	4.25%
<u>Years of Service</u>	<u>Salary Growth Rate</u>									
1-2	9.75%									
3-23	4.75%									
Over 23	4.25%									

TOWN OF GRAMERCY, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. Pension and Retirement Plans (continued)

**Actuarial Assumptions** (continued)

	<u>MERS</u>	<u>MPERS</u>
<b>Cost of Living Adjustments</b>	<p>The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.</p>	<p>The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.</p> <p>No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.</p> <p>Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.</p>

The following schedule list the methods used by each of the retirement systems in determining the long term rate of return on pension plan investments:

<u>MERS</u>	<u>MPERS</u>
<p>The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.50% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rates of return is 7.60% for the year ended June 30, 2016.</p>	<p>The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.75 % and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long term rate of return is 8.25% for the year ended June 30, 2016.</p>

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**10. Pension and Retirement Plans** (continued)

**Actuarial Assumptions** (continued)

The following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations as of June 30, 2016:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	MERS	MPERS	MERS	MPERS
Public equity	50.0%	-	2.60%	-
Equity	-	53.0%	-	3.69%
Public fixed income	35.0%	-	1.80%	-
Fixed Income	-	21.0%	-	0.49%
Alternatives	15.0%	20.0%	0.80%	1.11%
Other	-	6.0%	-	0.21%
Total	100.0%	100.0%	5.20%	5.50%
Inflation			2.50%	2.75%
Expected Arithmetic Nominal Return			7.70%	8.25%

**Discount Rate**

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for MERS and MPERS was 7.50%, and 7.50%, respectively for the year ended June 30, 2016.

**Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the Town's proportionate share of the Net Pension Liability (NPL) using the discount rate of each Retirement System as well as what the Town's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by each of the Retirement Systems:

	1.0% Decrease	Current Discount Rate	1.0% Increase
<b>MERS</b>			
Rates	6.50%	7.50%	8.50%
Town of Gramercy's Share of NPL	\$ 1,764,474	\$ 1,388,053	\$ 1,066,851
<b>MPERS</b>			
Rates	6.50%	7.50%	8.50%
Town of Gramercy's Share of NPL	\$ 929,161	\$ 697,000	\$ 502,080

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**10. Pension and Retirement Plans** (continued)

**Payables to the Pension Plan**

The Town recorded accrued liabilities to each of the Retirement Systems for the year ended June 30, 2017 mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as accounts, salaries and other payables. The balance due to each for the retirement systems at June 30, 2017 is as follows:

	<u>June 30, 2017</u>
MERS	\$ 22,775
MPERS	<u>9,891</u>
	<u>\$ 32,666</u>

**11. Segments of Enterprise Activities**

Water and sewerage services are provided by the Town and are financed by user charges. The significant financial data for the year ended June 30, 2017, for these services are as follows:

	<u>Public Utility</u>	<u>Sewage</u>	<u>Total</u>
Operating revenues	\$ 628,332	\$ 369,415	\$ 997,747
Operating expenses	794,845	297,509	1,092,354
Depreciation	201,315	72,728	274,043
Income (loss) from operations	(166,513)	71,906	(94,607)
Non-operating revenue	173,000	50,297	223,297
Net operating transfers	49,556	(239,874)	(190,318)
Change in net position	56,043	(117,671)	(61,628)
Acquisition of capital assets	415,567	-	415,567
Net working capital	280,376	83,185	363,561
Total assets and deferred outflows	5,761,257	1,522,844	7,284,101
Total liabilities and deferred inflows	2,034,747	388,483	2,423,230
Outstanding general obligation bonds and certificates of indebtedness	1,278,253	186,000	1,464,253
Total net position	3,726,510	1,134,361	4,860,871

**12. Restricted Assets**

Under the terms of the bond indentures for the water revenue refunding bonds and the sewer improvement bonds, certain revenues are dedicated to the retirement of said bonds, and are to be set aside into special accounts after provisions have been made for the payment of the reasonable and necessary expenses of operating and maintaining the utility systems.

The Town has been reclassifying a portion of its cash and investments as "restricted" on a monthly basis; however, the Town has not established all of the "restricted" accounts delineated in the bond indentures. All of the outstanding debt has been classified as current for the year ended June 30, 2017.

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**13. Post-employment benefits**

**Plan Description** – The Town of Gramercy’s medical benefits are provided through a self-insured medical plan and are made available to employees upon actual retirement.

The employees are covered by one of two retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service; and second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service.

**Contribution Rates** – Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

**Fund Policy** – Until 2015, the Town of Gramercy recognized the cost of providing post-employment medical benefits (the Town of Gramercy’s portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2017 and 2016, the Town of Gramercy’s portion of health care funding cost for retired employees totaled \$6397 and \$5,923, respectively.

Effective July 1, 2015, the Town of Gramercy implemented Government Accounting Standards Board Codification Section P50, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* (GASB Codification Section P50). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

**Annual Required Contribution** – The Town of Gramercy’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification Section P50. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	<b>2017</b>	<b>2016</b>
Normal cost	\$ 93,224	\$ 89,638
30-year UAL amortization amount	61,090	58,741
Annual required contribution (ARC)	<u>\$ 154,314</u>	<u>\$ 148,379</u>

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**13. Post-employment benefits** (continued)

**Net Post-employment Benefit Obligation (Asset)** – The table below shows the Town of Gramercy’s Net Other Post-employment Benefit (OPEB) Obligation for fiscal year ending June 30:

	<u>2017</u>	<u>2016</u>
Beginning Net OPEB Obligation	\$ 142,456	\$ -
Annual required contribution	154,314	148,379
Interest on Net OPEB Obligation	5,698	-
ARC Adjustment	<u>(8,238)</u>	<u>-</u>
OPEB Cost	151,774	148,379
Contribution	-	-
Current year retiree premium	<u>(6,397)</u>	<u>(5,923)</u>
Change in Net OPEB Obligation	<u>145,377</u>	<u>142,456</u>
Ending Net OPEB Obligation	<u>\$ 287,833</u>	<u>\$ 142,456</u>

The following table shows the Town of Gramercy’s annual other post-employment benefits (OPEB) cost, percentage of the cost contributed, and the net other post-employment benefits (OPEB) liability for this year:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Liability (Asset)</u>
June 30, 2017	\$ 151,774	4.21%	\$ 287,833
June 30, 2016	\$ 148,379	3.99%	\$ 142,456

**Funded Status and Funding Progress** – In 2017 and 2016, the Town of Gramercy made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the July 1, 2015 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2017 was \$1,098,644 which is defined as that portion, as determined by a particular actuarial cost method (the Town of Gramercy uses the Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

	<u>2017</u>	<u>2016</u>
Actuarial Accrued Liability (AAL)	\$ 1,098,644	\$ 1,056,388
Actuarial Value of Plan Assets (AVP)	<u>-</u>	<u>-</u>
Unfunded Act. Accrued Liability (UAAL)	<u>\$ 1,098,644</u>	<u>\$ 1,056,388</u>
Funded Ratio (AVP/AAL)	0.00%	0.00%
Covered Payroll (active plan members)	\$ 1,122,716	\$ 1,024,441
UAAL as a percentage of covered payroll	97.86%	103.12%

## TOWN OF GRAMERCY, LOUISIANA

### NOTES TO FINANCIAL STATEMENTS

#### 13. Post-employment benefits (continued)

**Actuarial Methods and Assumptions** – Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Town of Gramercy and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Town of Gramercy and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Town of Gramercy and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

**Actuarial Cost Method** – The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

**Actuarial Value of Plan Assets** – There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50.

**Turnover Rate** – An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 7.5%.

**Post-employment Benefit Plan Eligibility Requirements** – Based on past experience and retirement patterns, it has been assumed that entitlement to employer-paid retiree medical benefits will commence three years after D.R.O.P. entry, as described above under "Plan Description" (three years in D.R.O.P. and zero additional years). Medical benefits are provided to employees upon actual retirement. Entitlement to benefits continue through Medicare to death.

**Investment Return Assumption (Discount Rate)** – GASB Codification Section P50 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

**Health Care Cost Trend Rate** – The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

**Mortality Rate** - The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**13. Post-employment benefits** (continued)

**Method of Determining Value of Benefits** - The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays for a percentage of the blended rate for retiring employees and dependents. Since GASB Codification Section P50 mandates that "unblended" rates applicable to the coverage provided to retirees be used, we have estimated the total "unblended" rates for retirees before Medicare eligibility to be 130% of the blended active/retired rate before age 65 and 80% of the blended rate after age 65, with the employer assumed to pay the difference between that unblended rate and the employee contribution portion of the blended rate as discussed above.

**Inflation Rate** - Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

**Projected Salary Increases** - This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

**Post-retirement Benefit Increases** - The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

**14. Tax Abatement**

The local government is subject to certain property tax abatements granted by the Louisiana State Board of Commerce and Industry (the "State Board"), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the government may be subject include those issued for property taxes under the Industrial Tax Exemption Program ("ITEP") and the Restoration Tax Abatement Program ("RTAP"). In addition, the local government has the authority to grant sales tax rebates to taxpayers pursuant to the Enterprise Zone Tax Rebate Program ("EZ Program"). For the year ending June 30, 2017, the Town did not participate in any Tax Exemption Programs.

**15. Litigation and Claims**

The Town of Gramercy is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the resolution of these matters is not expected to have a material adverse effect on the financial condition of the Town.

**16. Future Accounting Changes**

The Governmental Accounting Standards Board recently issued GASB Statement No. 75 *Accounting for Postemployment Benefits*, which supersedes accounting standards that currently exist regarding retiree benefits. Under the new standard, governments recognize a liability for the full amount of the actuarially determined accrued benefits less amounts funded into a trust rather than recognizing a liability based upon the difference between funding recommendations and actual contributions, as in currently required. Additionally, the liability will be measured according to more prescriptive requirements. The standard is effective for annual reporting periods beginning after June 15, 2017. The Town expects that the new standard will have a material negative effect on its net position for the year ended June 30, 2018. However, the amount of the effect is unknown at this time.

**REQUIRED SUPPLEMENTARY**

**INFORMATION**

**TOWN OF GRAMERCY, LOUISIANA**

**OTHER POST-EMPLOYMENT BENEFITS PLAN**  
**RETIREE HEALTH, DENTAL AND LIFE INSURANCE PROGRAMS**  
**YEAR ENDED JUNE 30, 2017**

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL)</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payoll</u>
7/1/2015	-	\$ 1,098,644	\$ 1,098,644	0%	\$ 1,122,716	97.86%
7/1/2015	-	1,056,388	1,056,388	0%	1,024,441	103.12%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Increase (Decrease) to Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 151,774	\$ 6,397	4.21%	\$ 145,377	\$ 287,833
6/30/2016	148,379	5,923	3.99%	142,456	142,456

**TOWN OF GRAMERCY, LOUISIANA**

**SCHEDULE OF THE TOWN OF GRAMERCY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2017 (\*)**

	Employer's Proportion of the Net Pension Liability (Assets)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered- Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b><u>MERS (Plan A)</u></b>					
2016	0.3387%	\$ 1,338,053	\$ 566,456	236.2148%	62.11%
2015	0.3371%	1,204,149	575,339	209.2938%	66.18%
2014	0.3715%	953,468	555,569	171.6201%	73.99%
<b><u>MPERS</u></b>					
2016	0.0744%	\$ 697,000	\$ 208,309	334.5991%	66.04%
2015	0.0680%	532,873	181,960	292.8517%	70.73%
2014	0.0605%	378,380	128,238	295.0607%	75.10%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

(\*) The amounts presented have a measurement date of June 30 for year listed.

The two Retirement Systems reported in this schedule are as follows:

MERS (Plan A) = Municipal Employees' Retirement System

MPERS = Municipal Police Employees' Retirement System

**TOWN OF GRAMERCY, LOUISIANA**

**SCHEDULE OF THE TOWN OF GRAMERCY'S CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Contractually Required Contribution <sup>1</sup>	Contributions in Relation to Contractually Required Contribution <sup>2</sup>	Contribution Deficiency (Excess)	Covered Payroll <sup>3</sup>	Contribution as a % of Covered Employee Payroll
<b><u>MERS (Plan A)</u></b>					
2017	\$ 148,110	\$ 148,110	\$ -	\$ 651,032	22.75%
2016	111,875	111,875	-	566,456	19.75%
2015	113,629	113,629	-	575,339	19.75%
<b><u>MPERS</u></b>					
2017	\$ 75,503	\$ 75,503	\$ -	\$ 237,804	31.75%
2016	61,451	61,451	-	208,309	29.50%
2015	57,317	57,317	-	181,960	31.50%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

***For reference only:***

<sup>1</sup> *Employer contribution rate multiplied by employer's covered employee payroll*

<sup>2</sup> *Actual employer contributions remitted to Retirement Systems*

<sup>3</sup> *Employer's covered employee payroll amount for the fiscal year ended June 30 of each year*

**TOWN OF GRAMERCY, LOUISIANA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Changes of Benefit Terms include:**

Municipal Employee's Retirement System

- No Changes

Municipal Police Employee's Retirement System

- No Changes

**Changes of Assumptions:**

Municipal Employee's Retirement System

- Investment rate of return decreased 0.25% to 7.5%
- Projected salary increases decreased 0.75% to 5.0% (2.875% Inflation, 2.125% Merit)
- Discount rate decreased 0.25% to 7.5%

Municipal Police Employee's Retirement System

- Inflation rate decreased 0.125% to 2.875%

**TOWN OF GRAMERCY, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b><u>REVENUES</u></b>			
Ad valorem taxes	\$ 105,000	\$ 105,000	\$ 111,975
Sales taxes	622,000	622,000	633,868
Garbage fees	220,000	216,000	214,557
Dumpster fees	5,000	5,000	3,965
Mosquito control	50,000	50,000	49,801
Licenses and permits	180,000	180,000	196,651
Intergovernmental revenues:			
Federal grants	80,000	1,200	1,230
State funds:			
State grant	35,000	-	-
Beer	6,000	4,000	5,065
Video poker	300,000	300,000	365,924
Fines and forfeitures	40,000	30,000	26,517
Other	201,700	189,200	206,557
Total revenues	<u>1,844,700</u>	<u>1,702,400</u>	<u>1,816,110</u>
<b><u>EXPENDITURES</u></b>			
Current operating expenditures:			
General government	507,850	541,050	555,760
Streets	795,500	762,900	738,304
Public safety	588,700	641,700	618,888
Sanitation	241,000	229,000	224,065
Fire department	3,500	3,500	3,166
Total expenditures	<u>2,136,550</u>	<u>2,178,150</u>	<u>2,140,183</u>
<b><u>DEFICIENCY OF REVENUES OVER EXPENDITURES</u></b>	(291,850)	(475,750)	(324,073)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in	-	100,000	190,318
Transfers out	-	(180,000)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(80,000)</u>	<u>190,318</u>
Net change in fund balances	(291,850)	(555,750)	(133,755)
<b><u>FUND BALANCES</u></b>			
Beginning of year	<u>4,437,423</u>	<u>4,437,423</u>	<u>4,437,423</u>
End of year	<u>\$ 4,145,573</u>	<u>\$ 3,881,673</u>	<u>\$ 4,303,668</u>

**OTHER SUPPLEMENTARY**  
**INFORMATION**

**TOWN OF GRAMERCY, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE**  
**SCHEDULE OF OTHER REVENUE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b><u>OTHER REVENUE</u></b>			
Utility franchise fees	\$ 98,500	\$ 89,000	\$ 91,023
Interest revenues	3,000	3,000	11,788
Collection fees	800	800	624
Motor vehicle transaction fees	49,000	49,000	52,476
Rents and royalties	2,400	2,400	2,400
Miscellaneous	48,000	45,000	48,246
Total other revenue	<u>\$ 201,700</u>	<u>\$ 189,200</u>	<u>\$ 206,557</u>

**TOWN OF GRAMERCY, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE**  
**SCHEDULE OF EXPENDITURES**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b><u>GENERAL GOVERNMENT</u></b>			
Legal and litigation fees	\$ 1,500	\$ 1,500	\$ 657
Salaries	167,200	176,200	172,265
Professional fees	17,000	21,000	21,000
Electricity	10,500	12,500	9,414
Insurance	108,000	108,000	108,779
Supplies and maintenance	16,000	16,000	24,148
Miscellaneous	31,750	42,250	7,634
Retirement	32,000	34,000	26,438
SCPCD-building permits	10,000	10,000	10,334
Office expenses	55,000	55,000	58,778
Payroll taxes	4,000	6,000	7,202
Vehicle expenses	28,800	29,500	29,545
Dues and subscriptions	16,000	16,000	16,460
Meetings and conventions	6,000	9,000	9,807
Planning commission	3,600	3,600	3,300
Bad debts	500	500	49,999
Total general government	<u>507,850</u>	<u>541,050</u>	<u>555,760</u>
<b><u>STREETS</u></b>			
Salaries	166,000	221,000	213,598
Miscellaneous	5,000	5,000	2,241
Retirement	33,000	43,000	43,867
Vehicle expenses	9,000	9,000	6,810
Uniforms	3,000	6,400	5,588
Insurance	30,000	30,000	31,026
Supplies and maintenance	45,500	54,500	49,752
Electricity	65,000	65,000	59,920
Capital outlay	435,000	325,000	323,318
Payroll taxes	4,000	4,000	2,184
Total streets	<u>795,500</u>	<u>762,900</u>	<u>738,304</u>

**TOWN OF GRAMERCY, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE**  
**SCHEDULE OF EXPENDITURES**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b><u>PUBLIC SAFETY</u></b>			
Police:			
Insurance	\$ 71,000	\$ 78,000	\$ 74,819
Uniforms	1,200	1,200	67
Retirement	69,000	75,000	75,503
Vehicle expenses	8,000	10,000	15,481
Salaries	358,000	375,000	361,013
Supplies and maintenance	39,000	51,000	50,927
Training expenses	500	500	395
Utilities	6,000	6,000	5,242
Payroll taxes	6,000	15,000	14,700
Capital outlay	25,000	25,000	19,788
Miscellaneous	5,000	5,000	953
Total public safety	<u>588,700</u>	<u>641,700</u>	<u>618,888</u>
 <b><u>SANITATION</u></b>			
Solid waste disposal	205,000	205,000	204,584
Dumpster expense	6,000	6,000	5,353
Mosquito control	30,000	18,000	14,128
Total sanitation	<u>241,000</u>	<u>229,000</u>	<u>224,065</u>
 <b><u>FIRE DEPARTMENT</u></b>			
Operating expenses	<u>3,500</u>	<u>3,500</u>	<u>3,166</u>
Total fire department	<u>3,500</u>	<u>3,500</u>	<u>3,166</u>
 Total all departments	 <u>\$ 2,136,550</u>	 <u>\$ 2,178,150</u>	 <u>\$ 2,140,183</u>

**TOWN OF GRAMERCY, LOUISIANA**  
**SCHEDULE OF PRINCIPAL OFFICIALS AND SALARIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Steve Nosacka, Mayor	\$ 43,200
Betty Cooper Coleman	9,000
Rhonda Lee	9,000
Clyde Wiggins	9,000
Jody Bourgeois	9,000
Craig Calcagno	9,000
Brent Dicharry- Chief of Police	<u>25,200</u>
	<u>\$ 113,400</u>

**TOWN OF GRAMERCY, LOUISIANA**  
**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER**  
**PAYMENTS TO AGENCY HEAD**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Agency Head Name/Title: Mayor Steve Nosacka

<b><u>Purpose</u></b>		<b><u>Amount</u></b>
Salary	\$	43,200
Benefits - insurance		7,873
Benefits - retirement		10,647
Car allowance		-
Vehicle provided by government		-
Per diem		-
Reimbursements		-
Travel		-
Registration fees		-
Conference travel		-
Continuing professional education fees		-
Housing		-
Unvouchered expenses		-
Special meals		-
	\$	<u>61,720</u>

**OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members  
of the Board of Aldermen  
Town of Gramercy, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Gramercy, Louisiana, (the Town) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 29, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item [2017-001] that we consider to be material weaknesses.



**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Gramercy, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item [2017-002].

**Town of Gramercy, Louisiana's Response to Findings**

The Town of Gramercy, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Gramercy, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read 'Postlethwaite &amp; Nettleton'.

Donaldsonville, Louisiana  
December 29, 2017

**TOWN OF GRAMERCY, LOUISIANA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION I - SUMMARY OF AUDIT RESULTS**

*Financial Statements*

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness identified   X   Yes        No
  
- Significant deficiency identified not considered to be a material weakness?        Yes   X   None reported

Noncompliance material to financial statements noted?

  X   Yes        No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESS**

**2017-001 Design and Implementation of Internal Controls**

*Criteria:* Internal control procedures should be adequately designed and implemented.

*Condition:* During the assessment of internal controls over financial reporting, we identified deficiencies in the design and implementation of internal controls over:

- Review and documentation of approval for journal entries
- Record retention

*Cause:* Journal entry review and approval processes have not been adequately designed and implemented by the Town that provide effective controls whereby, material unauthorized transactions are prevented or detected timely. Procedures over record keeping are not adequate to prevent records from being lost.

*Effect:* The current procedures are inadequate to provide effective internal control.

*Recommendation:* Proper internal controls should be designed, implemented, and documented in order to establish procedures that will properly safeguard the assets of the Town and prevent or detect material misstatements.

*View of Responsible Official:* We concur with the finding. Journal entry review and approval procedures will be designed, implemented and documented over internal controls.

**TOWN OF GRAMERCY, LOUISIANA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION II - FINANCIAL STATEMENT FINDINGS** (continued)

**COMPLIANCE WITH LAWS AND REGULATIONS**

**2017-002 Public Records Law**

*Criteria:* Louisiana Revised Statute 44:36 requires a public entity preserve and maintain records for a period of at least three years from the date on which the public record was made, if not otherwise specified in a retention schedule.

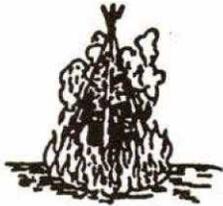
*Condition:* While management has a document retention policy, they were not consistently followed during the year.

*Cause:* Record retention policies and procedures were not adhered to.

*Effect:* The Town was unable to provide invoices on two separate occasions.

*Recommendation:* The Town shall follow its procedures to ensure records are retained for three (3) years, as required by Louisiana Law.

*View of Responsible Official:* Records will be monitored closely to ensure originals remain in files and appropriate procedures will be implemented to ensure the Town complies with Louisiana laws.



# Town of Gramercy

"THE BEST LITTLE TOWN FOR MILES AROUND."

120 North Montz Street

P. O. Drawer 340

Gramercy, Louisiana 70052

Phone 225-869-4403 • FAX 225-869-4195



## Aldermen

Betty Cooper-Coleman  
District 1

Jody Bourgeois  
District 2

Rhonda Lee  
District 3

Craig Calcagno  
At Large

Claude "Clyde" Wiggins  
At Large

Robert Faucheux, Jr.  
Town Attorney

Steven T. Nosacka  
Mayor

Brent Dicharry  
Police Chief

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS YEAR ENDED JUNE 30, 2017

### A. FINDINGS – FINANACIAL STATEMENT AUDIT

#### SIGNIFICANT DEFICIENCIES

None reported

#### MATERIAL WEAKNESS

##### 2016-001 Design and Implementation of Internal Controls

*Condition:* During the assessment of internal controls over financial reporting, we identified deficiencies in the design and implementation of internal controls over:

- Review and documentation of approval for journal entries.
- Documentation of approval on bank reconciliations.
- Review and documentation of approval on daily cash drawer reconciliations.
- Review and documentation of approval on payroll.
- Review and documentation of approval on adjustments to utility billings.

*Current Status:* A similar finding was noted in the current year and listed as finding 2017-001.

#### COMPLIANCE WITH LAWS AND REGULATIONS

##### 2016-002 Change orders

*Condition:* A change order was not filed in a timely manner according to Louisiana Revised Statute 38:2222.

*Current Status:* There are no similar findings in the June 30, 2017 audit.

**PERFORMANCE AND STATISTICAL DATA**

**TOWN OF GRAMERCY, LOUISIANA**  
**INSURANCE-IN-FORCE**  
**JUNE 30, 2017**  
**(Without Audit)**

<u>Type of Coverage</u>	<u>Name of Insurer</u>	<u>Expiration Date</u>	<u>Coverage Limits</u>
Automobile liability	Risk Management, Inc.	May 1, 2018	\$500,000
General liability	Risk Management, Inc.	May 1, 2018	\$500,000
Law enforcement liability	Risk Management, Inc.	May 1, 2018	\$500,000
Errors and omissions liability	Risk Management, Inc.	May 1, 2018	\$500,000
Workers' compensation	Louisiana Workers' Compensation Company	May 1, 2018	Statutory
Position fidelity schedule bond	CNA Surety Western Surety Company	October 1, 2017	\$ 50,000
Employment practices liability	Risk Management, Inc.	May 1, 2018	\$500,000
Commercial property	Republic Property	May 1, 2018	Various limits

**TOWN OF GRAMERCY, LOUISIANA**  
**PUBLIC UTILITY SYSTEM OPERATIONS**  
**JUNE 30, 2017**  
**(Without Audit)**

**Statistics on System Operations**

- (a) As of June 30, 2017 the number of metered customers was 1,396 for the water system and 1,332 for the sewer system. There were no unmetered customers for either the water or sewer systems at June 30, 2017.
- (b) The following rate schedules were in effect during the fiscal year ended June 30, 2017 for water and sewer services:

1. Water:

Residential

First 2,000 gallons or less	\$ 14.11 / 1,000 gallons
2,001 to 10,000 gallons	2.99
10,001 or more	2.71

Unincorporated Residential

First 2,000 gallons or less	\$ 17.37 / 1,000 gallons
2,001 to 10,000 gallons	2.99
10,001 or more	2.71

Small Business

First 2,000 gallons or less	\$ 21.72 / 1,000 gallons
2,001 to 10,000 gallons	2.99
10,001 or more	2.99

Large commercial and Industrial customers

Flat rate	\$ 3.80/1,000 gallons
-----------	-----------------------

Unincorporated Industrial

Monthly availability charge	\$ 100.00
Usage rate	3.80/1,000 gallons

**TOWN OF GRAMERCY, LOUISIANA**  
**PUBLIC UTILITY SYSTEM OPERATIONS**  
**JUNE 30, 2017**  
**(Without Audit)**

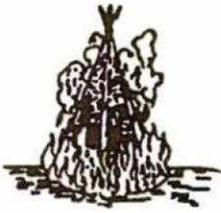
**Page 2 of 2**

Statistics on System Operations (continued)

2. Sewer	<u>Rate per gallons of sewerage flow</u>
Residential customers and small commercial customers	\$16.29/month + \$0.81 / 1,000 gallons
Large commercial customers	\$43.43/month + \$0.81 / 1,000 gallons
Industrial customers	\$43.43/month + \$0.81 / 1,000 gallons \$0.81 per pound of BOD in excess of allowable limits

(c) Average monthly billing per residential customer during the year ended June 30, 2017:

1. Water	\$ <u>28.99</u>
2. Sewer	\$ <u>22.21</u>



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At Large

**Claude "Clyde" Wiggins**  
At Large

**Robert Faucheux, Jr.**  
Town Attorney

## CORRECTIVE ACTION PLAN

December 29, 2017

Louisiana Legislative Auditor

The Town of Gramercy respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm:

Postlethwaite & Netterville, APAC  
P. O. Box 1190  
Donaldsonville, LA 70346

Audit Period: July 1, 2016 – June 30, 2017

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

## FINDINGS – SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### 2017-001 DESIGN AND IMPLEMENTATION OF INTERNAL CONTROLS

*Recommendation:* Proper internal controls should be designed, implemented, and documented in order to establish procedures that will properly safeguard the assets of the Town and prevent or detect material misstatements.

*Management's Response:* Journal entry review and approval process will be designed, implemented, and documented for internal controls.

2017-002 Public Records Law

*Recommendation:* The Town shall follow its procedures to ensure records are retained for three (3) years, as required by Louisiana Law.

*Management's Response:* Accounts payable records will be monitored closely to ensure originals remain in files and appropriate procedures will be implemented to ensure the Town complies with Louisiana laws.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Steven T. Nosacka at (225) 869-4403.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Nosacka', with a stylized flourish extending to the right.

Steven T. Nosacka  
Mayor

**TOWN OF GRAMERCY**

**STATEWIDE AGREED-UPON PROCEDURES**

**FOR THE TWELVE MONTH PERIOD ENDING JUNE 30, 2017**

**Independent Accountants' Report  
On Applying Agreed-Upon Procedures  
For the Year Ended June 30, 2017**

To Honorable Mayor and Members of the Board of Alderman, and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Gramercy (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

***Written Policies and Procedures***

---

1. Obtain the Entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the Entity does not have any written policies and procedures), as applicable:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

*Although certain processes were provided to us and asserted to be policies and procedures, the description of processes provided had not undergone review by management and formalized into standard policy.*

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list. (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law or state purchasing rules and regulations; and (5) documentation required to be maintained for all bids and price quotes.

*Although certain processes were provided to us and asserted to be policies and procedures, the description of processes provided had not undergone review by management and formalized into standard policy.*

- c) **Disbursements**, including processing, reviewing, and approving.

*Although certain processes were provided to us and asserted to be policies and procedures, the description of processes provided had not undergone review by management and formalized into standard policy.*

- d) **Receipts**, including receiving, recording, and preparing deposits.

*Although certain processes were provided to us and asserted to be policies and procedures, the description of processes provided had not undergone review by management and formalized into standard policy.*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*Although certain processes were provided to us and asserted to be policies and procedures, the description of processes provided had not undergone review by management and formalized into standard policy.*

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review (4) approval process, and (5) monitoring process

*Although certain processes were provided to us and asserted to be policies and procedures, the description of processes provided had not undergone review by management and formalized into standard policy.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

*Although certain processes were provided to us and asserted to be policies and procedures, the description of processes provided had not undergone review by management and formalized into standard policy.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

*Although certain processes were provided to us and asserted to be policies and procedures, the description of processes provided had not undergone review by management and formalized into standard policy.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees including elected officials annually attest through signature verification that they have read the Entity's ethics policy.

*Although certain processes were provided to us and asserted to be policies and procedures, the description of processes provided had not undergone review by management and formalized into standard policy.*

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*Although certain processes were provided to us and asserted to be policies and procedures, the description of processes provided had not undergone review by management and formalized into standard policy.*

***Board (or Finance Committee, if applicable)***

---

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*No exceptions noted.*

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and other major funds. If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*Our procedures revealed that the meetings occurred every month. Also seven of the twelve meetings discussed budget-to-actual results.*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*No exceptions noted.*

***Bank Reconciliations***

---

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*No exceptions noted.*

4. Using the listing provided by management, select all of the Entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

*Of the 60 reconciliations selected for testing, three of them were not prepared.*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation;

*9 of the 60 reconciliations lacked evidence that a member of management or a board member has reviewed that respective reconciliation.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*We performed the procedures above and noted the following exception:*

- *36 out of 60 bank reconciliations had outstanding items greater than 6 months and contained no evidence of management's research.*

### ***Collections***

---

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*No exceptions noted.*

6. Using the listing provided by management, select all of the Entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a. Obtain existing documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is 1) bonded, 2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by a board member or an outside party) and 3) not required to share the same cash register or drawer.

*The person responsible for collecting the cash is also responsible for depositing the cash in the bank.*

- b. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash location selected.

*No exceptions noted.*

c. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using Entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day.

*During the week selected it was noted that one of the deposits was made within two days of collection.*

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*No exceptions noted.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Entity has a process specifically defined (identified as such by the Entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation of receipt number sequences, reasonableness of cash collections based on licenses issued) by a person who is not responsible for collections.

*No exceptions noted.*

#### ***Disbursements – Other General***

---

8. Obtain a listing of Entity disbursements from management or, alternately, obtain the general ledger and sort/filter for Entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*No exceptions noted.*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the Entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*Of the twenty-five disbursements selected, seven required a requisition or purchase order. Of the seven that required a requisition or purchase order, six were lacking a requisition or purchase order.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*No exceptions noted.*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order (P.O.), or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*No exceptions noted.*

- 10. Using Entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the Entity's purchasing/disbursement system.

*We performed the procedures above and noted the Accountant processes payments and is not prohibited from adding vendors.*

- 11. Using Entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*No exceptions noted.*

- 12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review Entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*We performed the procedures above and noted one of the twelve check supplies observed was not kept in a secure location.*

- 13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*We performed the procedures above and noted all checks are signed manually. The authorized signer(s) do not maintain control until mailed.*

*Credit Cards/Debit Cards/Fuel Cards/P-Cards*

---

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*No exceptions noted.*

15. Using the listing prepared by management, randomly select ten cards (or at least one-third if the Entity has less than ten cards that were used during the fiscal period. Obtain the monthly statements, or combined statements with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

*We performed the procedures above and noted one of ten cards was reviewed by the authorized card holder.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*We performed the procedures above and noted one of ten cards was assessed finance and/or late fees.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased).
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*We performed the procedures above and noted the following exceptions for one of the ten cards selected:*

- *Expense was not supported by original receipts.*
- *Expense was not supported by documentation of a business/public purpose.*
- *Meal charges did not include documentation of individuals participating.*

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*Due to the lack of supporting documentation for one credit card, we were not able to perform this procedure. No other exceptions were noted.*

- c) For each transaction, compare the Entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*Due to the lack of supporting documentation for one credit card, we were not able to perform this procedure. No other exceptions were noted.*

#### ***Travel and Expense Reimbursement***

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17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*No exceptions noted.*

18. Obtain the Entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (GSA) and report any rates that exceed the GSA rates.

*No exceptions noted.*

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the Entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*No exceptions noted.*

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased.
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

*We performed the procedures above and noted one of the three reports selected was not supported by an original receipt or other documentation as required by written policy.*

c) Compare the Entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*Due to the lack of supporting documentation for one credit card, we were not able to perform this procedure. No other exceptions were noted.*

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions noted.*

### **Contracts**

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*No exceptions noted.*

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner or the Louisiana Legislative Auditor). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*No exceptions noted.*

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code (bid law) and:

*Two of the three contracts selected for testing were subject to the Louisiana Public Bid Law or Procurement Code.*

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

*No exceptions noted.*

- If no, obtain supporting contract documentation and report whether the Entity solicited quotes as a best practice.

*One of three contracts selected was not subject to the bid law. In procurement of these contracts, the Entity did not solicit quotes.*

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*We performed the procedures above and noted the two contracts subject to bid law were amended. Neither contract addressed amendments.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*No exceptions noted.*

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law.

*No exceptions noted.*

### ***Payroll and Personnel***

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22. Obtain a listing of employees with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*No exceptions noted.*

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*No exceptions noted.*

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, select 25 employees and:

- a) Report whether all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).

*No exceptions noted.*

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.

*Of the seven employees tested, one (supervisor) time card was not approved.*

- c) Report whether there is written documentation that the Entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*No exceptions noted.*

- 24. Obtain from management a list of those employees that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*No exceptions noted.*

- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*We performed the procedures above and noted one exception. However, P&N noted the IRS waived the penalty for the late payment.*

### ***Ethics***

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- 26. Using the five selected employees from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the Entity maintained documentation to demonstrate that required annual ethics training was completed.

*We performed the procedures above and noted three of the five employees tested had not completed annual ethics training.*

27. Inquire of management whether any alleged ethics violations were reported to the Entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the Entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*No exceptions noted.*

#### ***Debt Service***

28. If debt was issued during the fiscal period, obtain supporting documentation from the Entity, and report whether State Bond Commission approval was obtained.

*No exceptions noted.*

29. If the Entity had outstanding debt during the fiscal period, obtain supporting documentation from the Entity and report whether the Entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*No exceptions noted.*

30. If the Entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*No exceptions noted.*

#### ***Other***

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31. Inquire of management whether the Entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the Entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the Entity is domiciled.

*No exceptions noted.*

32. Observe and report whether the Entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exceptions noted.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*No exceptions noted.*

*Corrective Action*

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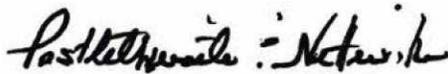
34. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

*See attached Corrective Action Plan.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Sincerely,



Donaldsonville, Louisiana  
December 29, 2017



# Town of Gramercy

"THE BEST LITTLE TOWN FOR MILES AROUND."

120 North Montz Street

P. O. Drawer 340

Gramercy, Louisiana 70052

Phone 225-869-4403 • FAX 225-869-4195



## Aldermen

**Betty Cooper-Coleman**  
District 1

**Jody Bourgeois**  
District 2

**Rhonda Lee**  
District 3

**Craig Calcagno**  
At Large

**Claude "Clyde" Wiggins**  
At Large

**Robert Faucheux, Jr.**  
Town Attorney

**Steven T. Nosacka**  
Mayor

**Brent Dicharry**  
Police Chief

## Management's Response to Agreed-Upon Procedures Report

December 29, 2017

Louisiana Legislative Auditor

The Town of Gramercy respectfully submits the following corrective action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm:

Postlethwaite & Netterville, APAC  
P. O. Box 1190  
Donaldsonville, LA 70346

Audit Period: July 1, 2016 – June 30, 2017

The procedures and associated findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings.

## STATEWIDE AGREED-UPON PROCEDURES

### Written Policies and Procedures

1a – j The Town of Gramercy will review the processes and procedures that are currently in place and formalize them into standard policy to include all necessary provisions as provided by the Agreed-Upon Procedures (AUP).

4 a Town Accountant will prepare bank reconciliations for any accounts that we receive a statement for.

4 b Town Accountant will ensure that a member of management or board member reviews all of the reconciliations we prepare.

4 c The Town of Gramercy will institute a formal policy for the review and documentation of any outstanding item over three months as part of the bank reconciliation process. Any outstanding item over 3 months will be researched and resolved.

6 a The Town of Gramercy will review its policies and procedures over the collecting, depositing and recording of collections and determine if further segregation of duties can be accomplished or if other mitigating controls can be put into place.

6 c The Town of Gramercy will review frequency of deposits wherever necessary and determine if daily deposits are practical. Management will continue to monitor deposits and ensure timely deposit of collections.

9 a The Town of Gramercy will review its procedures for disbursements and formalize a policy for the requirements of purchase orders.

10 Checks cannot be written without the Mayor's approval. This limits the risk of payments to false vendors. Also, with a second signer reviewing the purchases, management feels that the internal controls in place limit the risk of exposure.

12 Town Accountant will ensure all check stock is maintained in a locked location with access restricted to those persons that do not have signatory authority.

13 Town Accountant will ensure the authorized signer(s) maintain control of checks until mailed.

15a Considering the structure of our organization, the cardholder must approve the transaction for payment. However, the cardholder does not have access to make the payment of the invoice. Also, with a second signer reviewing the purchases, management feels that the internal controls in place limit the risk of exposure for misuse.

15b Town Accountant will ensure credit cards are paid timely to avoid finance charges.

16 a-b Town of Gramercy will review and formalize a policy to ensure credit card transactions are supported by original itemized receipts, documentation of business purpose and meal receipts should include individuals participating.

19 b Town of Gramercy will review and formalize a policy relating to travel expense reimbursements and ensure supporting documentation is provided prior to reimbursement.

20 b Town of Gramercy will review procedures with regard to bid law and ensure copies of all quotes received are maintained with project files.

20 c Town of Gramercy will review procedures with regard to contracts and add wording if change orders are allowed.

23b Town Accountant will ensure all employee timesheets are approved before processing payroll.

26 Town of Gramercy will review procedures regarding ethics training and implement a formal policy to ensure all employees complete annual ethics training.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Steven T. Nosacka at (225) 869-4403.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Nosacka', with a long horizontal flourish extending to the right.

Steven T. Nosacka  
Mayor