

TOWN OF MANGHAM, LOUISIANA

*Financial Statements
For the Year Ended June 30, 2017*

TOWN OF MANGHAM, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2017
With Supplemental Information Schedules

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TOWN OF MANGHAM, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2017
With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen of
The Town of Mangham, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Town of Mangham, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information for the Town of Mangham, 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 conformity 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 (pages 5-10), budgetary comparison information (page 32) and the schedules of employer's share of net pension liability (page 35), and the schedules of contributions to pension plans (page 36) 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurances.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mangham, Louisiana basic financial statements. The Schedule of Compensation, Benefits, Reimbursements, and other Payments to Agency Head or Executive Officer and the Schedule of Compensation Paid to Elected Officials are presented for purposes of additional analysis and are not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer and the Schedule of Compensation Paid to Elected Officials are the responsibility of management and were derived directly from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer and the Schedule of Compensation Paid to Elected Officials are fairly stated in all material respects in relation to the financial statements as a whole.

Honorable Mayor and Board of Aldermen of
Town of Mangham, Louisiana
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 21, 2017, on my consideration of the Town's internal control over financial reporting and on my 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 my 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 *Governmental Auditing Standards* in considering the Town of Mangham, Louisiana's internal control over financial reporting and compliance.

David M. Hauck, CPA (APAC)

West Monroe, Louisiana
December 21, 2017

REQUIRED SUPPLEMENTAL INFORMATION (PART A)
MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF MANGHAM, LOUISIANA
Management Discussion and Analysis
As of and for the Year Ended June 30, 2017

Management's Discussion and Analysis is a fact-based analysis of the Town's financial activities during the fiscal year ended June 30, 2017. Its purpose is to provide an overview of activities within the Town based on currently known facts, decision, and conditions.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The Town of Mangham has adopted the GASB 68 reporting requirements concerning retirements.

As with other sections of the financial report, the information contained within the MD&A should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplementary Information ("RSI") that is provided in addition to this Management Discussion and Analysis.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$3,184,264 (net position). Of this amount, \$1,336,790 (unrestricted net position) represents the portion of net position that is not invested in capital assets or otherwise restricted.
- The government's total net position increased by \$101,319.
- As of the close of the current fiscal year, the Town's governmental activities reported combined ending net position of \$1,328,287, an increase of \$171,879 in comparison with the prior year. Of this total amount, \$957,068 is available for spending at the government's discretion (unassigned fund balance).
- The Town's total debt decreased by approximately \$7,394 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Mangham's basic financial statements. The Town of Mangham's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Mangham's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Town of Mangham's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Mangham is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses

Town of Mangham, Louisiana
Management Discussion and Analysis (continued)

are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town of Mangham that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Mangham include general government, public safety, sanitation, public works and Community Center. The business-type activities of the Town of Mangham include water and sewer.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Mangham like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Mangham can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Mangham maintains 2 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Sales Tax Fund all of which are considered to be major funds.

The Town of Mangham adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

Proprietary funds. The Town of Mangham maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information the government-wide financial statements, only in more detail.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Town of Mangham, Louisiana
Management Discussion and Analysis (continued)

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Mangham's compliance with budgets for its major funds.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Mangham, assets exceeded liabilities by approximately \$3,184,264 at the close of the most recent fiscal year.

By far the largest amount of the Town of Mangham's net assets (\$1,824,830) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Mangham uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Mangham's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Totals	
	06/30/17	06/30/16	06/30/17	06/30/16	06/30/17	06/30/16
Current & other assets	\$972,510	\$884,671	\$420,901	\$398,084	\$1,393,411	\$1,282,755
Capital assets	371,219	304,406	1,918,750	2,033,646	2,289,969	2,338,052
Total assets	<u>\$1,343,729</u>	<u>\$1,189,077</u>	<u>\$2,339,651</u>	<u>\$2,431,730</u>	<u>\$3,683,380</u>	<u>\$3,620,807</u>
Deferred Outflows	\$15,688	\$12,853	\$0	\$0	\$15,688	\$12,853
Current & other liabilities	\$4,565	\$5,807	\$18,535	\$32,660	\$23,100	\$38,467
Net pension liability	24,856	32,809	\$0	\$0	24,856	32,809
Long-term liabilities	0	0	465,139	472,533	465,139	472,533
Total liabilities	<u>\$29,421</u>	<u>\$38,616</u>	<u>\$483,674</u>	<u>\$505,193</u>	<u>\$513,095</u>	<u>\$543,809</u>
Deferred Inflows	\$1,709	\$2,000	\$0	\$0	\$1,709	\$2,000
Net Position:						
Invested in Capital Assets						
net of related debt	\$371,219	\$304,406	\$1,453,611	\$1,561,113	\$1,824,830	\$1,865,519
Restricted	0	0	22,644	19,980	22,644	19,980
Unrestricted	957,068	856,908	379,722	345,444	1,336,790	1,202,352
Total net position	<u>\$1,328,287</u>	<u>\$1,161,314</u>	<u>\$1,855,977</u>	<u>\$1,926,537</u>	<u>\$3,184,264</u>	<u>\$3,087,851</u>

The balance of \$957,068 in unrestricted net position in the governmental activities represents the accumulated results of all past year's operations. Net position increased by \$100,160 overall from the prior year. The changes in net position are discussed later in this MD&A.

Governmental activities. Governmental activities increased the Town of Mangham's net position by \$171,879. Key elements of the changes in net position are as follows:

Town of Mangham, Louisiana
Management Discussion and Analysis (continued)

TOWN OF MANGHAM CHANGES IN NET POSITION
06/30/2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	06/30/17	06/30/16	06/30/17	06/30/16	06/30/17	06/30/16
Revenues:						
Program Revenues:						
Charges for services	198,135	193,023	\$146,164	\$125,100	\$344,299	\$318,123
Operating grants & contributions	11,000	10,000	0	0	11,000	10,000
Capital grants & contributions	98,948	44,205	0	0	98,948	44,205
General Revenues:					0	0
Property taxes	46,325	42,570	8,364	7,656	54,689	50,226
Sales taxes	89,205	102,005			89,205	102,005
Other taxes	14,755	15,513			14,755	15,513
Other general revenues	70,103	40,609	738	14,987	70,841	55,596
Total revenues	<u>528,471</u>	<u>447,925</u>	<u>155,266</u>	<u>147,743</u>	<u>683,737</u>	<u>595,668</u>
Expenses:						
General Government	98,284	94,520			98,284	94,520
Public Safety and Protection	169,964	148,087			169,964	148,087
Public Works	51,977	52,206			51,977	52,206
Sanitation	25,140	26,099			25,140	26,099
Culture and Recreation	11,227	12,042			11,227	12,042
Water			143,286	135,137	143,286	135,137
Sewer			63,421	68,451	63,421	68,451
Interest on long term debt			19,119	20,116	19,119	20,116
Total expenses	<u>356,592</u>	<u>332,954</u>	<u>225,826</u>	<u>223,704</u>	<u>582,418</u>	<u>556,658</u>
Increase (decrease) in net position before transfers	171,879	114,971	(70,560)	(75,961)	101,319	39,010
Transfers	0	0	0	0	0	0
Increase (decrease) in net position	<u>\$171,879</u>	<u>\$114,971</u>	<u>(\$70,560)</u>	<u>(\$75,961)</u>	<u>\$101,319</u>	<u>\$39,010</u>

Expenses are classified by functions/programs. General government accounts for approximately \$98,000 while public safety, public works, sanitation, and community center accounts for approximately \$258,000 for the fiscal year 2017. The related program revenues for fiscal 2017 directly related to these expenses totaled \$198,000 which resulted in net program revenues of \$60,000. The remaining balance of expenses represents the cost to the taxpayers. The costs of governmental activities exceeding restricted state and federal grants are paid primarily from the following sources:

- Sales tax revenues are the largest and most significant source of revenue for the Town of Mangham. It provides approximately \$89,000 of general fund revenue.
- Insurance premium taxes are the second largest revenue source to the Town, generating approximately \$48,000 of general fund revenue.

Business-type activities. Business-type activities decreased the Town of Mangham's net position by approximately \$70,000. Key elements of this decrease are as follows.

- Water Fund activities decreased net position by approximately \$21,000.
- Sewer Fund activities decreased net position by approximately \$49,000.

Town of Mangham, Louisiana
Management Discussion and Analysis (continued)

Financial Analysis of the Government's Funds

As noted earlier, the Town of Mangham uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town of Mangham's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Mangham's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Mangham's governmental funds reported combined ending fund balances of \$967,945 an increase of \$89,081 in comparison with the prior year. All of this total amount (\$967,945) constitutes unreserved fund balance, which is available for spending at the Town's discretion.

General Fund Budgetary Highlights

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA- R.S 39:1301 et seq), the Town of Mangham must adopt a budget for the General Fund and all Special Revenue funds prior to June 30. The original budget for the Town was adopted in June 2016 with one amendment for the year.

Revenues: Overall revenues for the General Fund were projected to decrease during FY 2017 by \$33,150 from the previous year. All other revenues were expected to remain the same for 2017.

Expenditures: General governmental expenditures comprise 28% of the General Funds Appropriations.

Capital Asset and Debt Administration

Capital assets. The Town of Mangham's investment in capital assets for its governmental and business type activities as of June 30, 2017, amounts to \$2,289,969 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment and street improvements.

Major capital asset events in the current fiscal year included the beginning of construction for a recreation complex that is estimated to take a couple of years to complete due to the grant funding the town is expecting to receive over the next two years. A police vehicle purchased to replace an older one. Also police body cameras and equipment for the new police vehicles were purchased. New awnings were purchased for the Community Center and some improvements to the front of City Hall were also completed.

Town of Mangham, Louisiana
Management Discussion and Analysis (continued)

Town of Mangham Capital Assets

	06/30/17	06/30/16
Land	\$43,750	\$41,250
Building & Improvements	178,611	173,906
Machines & Equipment	86,684	88,705
Vehicles	53,675	36,882
Infrastructure	257,233	257,233
Construction in Progress	81,520	16,045
Sewer System	967,870	967,870
Water System	2,290,183	2,290,183
Total	<u>3,959,526</u>	<u>3,872,074</u>
Less Accumulated Depreciation	<u>(1,669,557)</u>	<u>(1,534,022)</u>
Total Capital Assets	<u>\$2,289,969</u>	<u>\$2,338,052</u>

Town of Mangham Outstanding Debt

Water Notes	\$465,139	\$472,533
Sewer Notes	0	0
	<u>\$465,139</u>	<u>\$472,533</u>

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the Town of Mangham's budget for the 2017 fiscal year included the impact that the property tax reassessments that were completed which increased property values for the Town and determining the amount of revenue that will be generated from sales tax. Sales taxes account for approximately 17% of the Town's total revenue. With current economic conditions, sales tax revenue is projected to remain flat for the next fiscal year. A drop in ad valorem tax is expected due to the nonrenewal of those taxes in 2017. All other revenues are expected to remain constant.

Requests for Information

This financial report is designed to provide a general overview of the Town of Mangham's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Clerk, Post Office 94 Mangham, Louisiana 71295.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MANGHAM, LOUISIANA

Statement of Net Position

June 30, 2017

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
ASSETS			
Cash and cash equivalents	\$544,706	\$815,684	\$1,360,390
Receivables (net of allowances for uncollectibles)	19,403	13,618	33,021
Internal balances	408,401	(408,401)	0
Capital assets (net)	371,219	1,918,750	2,289,969
TOTAL ASSETS	1,343,729	2,339,651	3,683,380
DEFERRED OUTFLOWS OF RESOURCES			
Pension	15,688	0	15,688
TOTAL DEFERRED OUTFLOWS OF RESOURCES	15,688	0	15,688
LIABILITIES			
Accounts, salaries, and other payables	4,565	18,535	23,100
Capital leases payable	-	-	-
Loans payable	-	465,139	465,139
Net pension liability	24,856	-	24,856
TOTAL LIABILITIES	29,421	483,674	513,095
DEFERRED INFLOWS OF RESOURCES			
Pension	1,709	0	1,709
TOTAL DEFERRED INFLOWS OF RESOURCES	1,709	0	1,709
NET POSITION			
Net investment in capital assets	371,219	1,453,611	1,824,830
Restricted for debt service	-	22,644	22,644
Unrestricted	957,068	379,722	1,336,790
TOTAL NET POSITION	1,328,287	\$1,855,977	\$3,184,264

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA

Statement of Activities

For the Year Ended June 30, 2017

	Program Revenues				Net (Expenses)/ Revenue	Net (Expenses) Revenues and Changes of Primary Government		
	Expenses	Charges for	Operating	Capital Grants &		Governmental	Business-type	Total
		Services	Grants and Contributions	Contributions		Activities	Activities	
Governmental Activities								
General government	\$98,284		\$11,000		(\$87,284)	(\$87,284)		(\$87,284)
Public safety and protection	169,964	169,102		33,473	\$32,611	32,611		32,611
Public works	51,977				(\$51,977)	(51,977)		(51,977)
Sanitation	25,140	20,173			(\$4,967)	(4,967)		(4,967)
Culture & Recreation	11,227	8,860		65,475	\$63,108	63,108		63,108
Total Governmental Activities	<u>356,592</u>	<u>198,135</u>	<u>11,000</u>	<u>98,948</u>	<u>(48,509)</u>	<u>(48,509)</u>		<u>(48,509)</u>
Business-type Activities								
Water	162,405	131,917			(\$30,488)	(30,488)		(30,488)
Sewer	63,421	14,247			(\$49,174)	(49,174)		(49,174)
Total Business-type Activities	<u>225,826</u>	<u>146,164</u>		<u>0</u>	<u>(79,662)</u>	<u>(79,662)</u>		<u>(79,662)</u>
Total Primary Government	<u>\$582,418</u>	<u>\$344,299</u>	<u>\$11,000</u>	<u>\$98,948</u>	<u>(\$128,171)</u>	<u>(\$48,509)</u>	<u>(\$79,662)</u>	<u>(\$128,171)</u>
General Revenues:								
Property taxes						\$46,325	\$8,364	\$54,689
Sales taxes						89,205		89,205
Franchise taxes						14,755		14,755
Occupational licenses						48,551		48,551
Investment earnings						313	738	1,051
Other general revenues						21,239		21,239
Transfers						0		0
Total general revenues and transfers						<u>220,388</u>	<u>9,102</u>	<u>229,490</u>
Change in Net Position						<u>171,879</u>	<u>(70,560)</u>	<u>101,319</u>
Net position-beginning, restated						<u>1,156,408</u>	<u>1,926,537</u>	<u>3,082,945</u>
Net position-ending						<u>\$1,328,287</u>	<u>\$1,855,977</u>	<u>\$3,184,264</u>

The accompanying notes are an integral part of this financial statement.

FINANCIAL STATEMENTS

TOWN OF MANGHAM, LOUISIANA
Balance Sheet, Governmental Funds
June 30, 2017

	GENERAL FUND	MAJOR FUNDS SALES TAX FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$499,538	\$45,168	\$544,706
Receivables (net of allowances for uncollectibles)	11,656	7,747	19,403
Due from other funds	408,401	47,710	456,111
TOTAL ASSETS	\$919,595	\$100,625	\$1,020,220
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts, salaries, and other payables	4,565	0	4,565
Due to other funds	47,710	0	47,710
Total Liabilities	52,275		52,275
Fund balances:			
Assigned		100,625	100,625
Unassigned	867,320		867,320
Total Fund Balances	867,320	100,625	967,945
TOTAL LIABILITIES AND FUND BALANCES	\$919,595	\$100,625	\$1,020,220

**Reconciliation of The Governmental Fund Balance Sheet
to The Government-Wide Financial Statement of Net Position, June 30, 2017**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balances, Total Governmental Funds:	\$967,945
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Governmental assets	701,475
Less Accumulated Depreciation	<u>(330,256)</u>
	371,219
Retirement payments are reported as expenditures in the governmental funds. In the government-wide statements the payments and other state retirement system deferrals are reported as Deferred Outflows-Pension	15,688
Government-wide statements report the Town's share of state retirement system deferrals as Deferred Inflows-Pension	(1,709)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds:	
Net Pension Liability	<u>(24,856)</u>
Net Position of Governmental Activities (Statement A)	<u>\$1,328,287</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA
Statement of Revenues, Expenditures and
and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2017

	GENERAL FUND	MAJOR FUNDS SALES TAX FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes:			
Sales and use	\$ -	\$89,205	\$89,205
Franchise tax	14,755		14,755
Ad valorem tax	46,325		46,325
Licenses and permits	48,551		48,551
Intergovernmental revenues:			
State funds:			
Grant	100,475		100,475
Charges for services	29,033		29,033
Fines and forfeitures	169,102		169,102
Investment earnings	182	131	313
Other revenues	15,678		15,678
Total Revenues	<u>424,101</u>	<u>89,336</u>	<u>513,437</u>
EXPENDITURES			
General government	87,739	1,418	89,157
Public safety and protection	154,886		154,886
Public works	37,716		37,716
Sanitation	25,140		25,140
Culture and recreation	9,418		9,418
Capital outlay	108,039		108,039
Total Expenditures	<u>422,938</u>	<u>1,418</u>	<u>424,356</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,163	87,918	89,081
OTHER FINANCING SOURCES (USES)			
Transfers in	87,918		87,918
Transfers out	0	(87,918)	(87,918)
Total Other Financing Sources and Uses	<u>87,918</u>	<u>(87,918)</u>	<u>0</u>
Net Change in Fund Balance	89,081	0	89,081
Fund balances -- beginning	778,239	100,625	878,864
Fund balances -- ending	<u>\$867,320</u>	<u>\$100,625</u>	<u>\$967,945</u>

**Reconciliation of The Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Fund
To the Statement of Activities**

For the Year Ended June 30, 2017

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total Governmental Funds	\$89,081
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital Outlay	108,039
Depreciation Expense	<u>(36,387)</u>
	71,652
Governmental funds report retirement expenditures as a payment when remitted to the retirement system. However, in the government-wide statement of activities, retirement is reported based on the allocation stated in the retirement system report.	(3,887)
Government-wide statement of activities reports the Town's share of Non-employers pension contribution as part of general revenue.	<u>15,033</u>
Change in Net Position of Governmental Activities, Statement B	<u>\$171,879</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA

Statement of Net Position, Proprietary Funds

June 30, 2017

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	(Major Enterprise Funds) WATER FUND	SEWER FUND	TOTAL ENTERPRISE FUNDS
ASSETS			
Current Assets:			
Cash and cash equivalents	\$743,123	\$72,561	\$815,684
Receivables (net of allowances for uncollectibles)	12,117	1,501	13,618
Total Current Assets	<u>755,240</u>	<u>74,062</u>	<u>829,302</u>
Non-Current Assets:			
Capital assets (net of accumulated depreciation)	1,480,613	438,137	1,918,750
Total Non-Current Assets	<u>1,480,613</u>	<u>438,137</u>	<u>1,918,750</u>
TOTAL ASSETS	<u><u>\$2,235,853</u></u>	<u><u>\$512,199</u></u>	<u><u>\$2,748,052</u></u>
LIABILITIES			
Current Liabilities:			
Accounts, salaries, and other payables	\$2,490	\$505	\$2,995
Customer Deposits Refundable	15,540	0	15,540
Due to other funds	117,808	290,593	408,401
Total Current Liabilities	<u>135,838</u>	<u>291,098</u>	<u>426,936</u>
Non Current Liabilities:			
Notes Payable-USDA	465,139	0	465,139
Total Non-Current Liabilities	<u>465,139</u>	<u>0</u>	<u>465,139</u>
NET POSITION			
Invested in capital assets, net of related debt	1,015,474	438,137	1,453,611
Restricted for debt service	22,644	0	22,644
Unrestricted	596,758	(217,036)	379,722
TOTAL NET POSITION	<u><u>\$1,634,876</u></u>	<u><u>\$221,101</u></u>	<u><u>\$1,855,977</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

For the Year Ended June 30, 2017

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	(Major Enterprise Funds)		TOTAL
	WATER FUND	SEWER FUND	ENTERPRISE FUNDS
Operating Revenues			
Charges for services:			
Water sales	\$128,367	\$0	\$128,367
Sewer charges	0	14,247	14,247
Other services	3,550	0	3,550
Total Operating Revenues	<u>131,917</u>	<u>14,247</u>	<u>146,164</u>
Operating Expenses			
Salaries and wages	11,470	11,470	22,940
Materials and supplies	23,690	9,598	33,288
Other services and charges	19,457	16,128	35,585
Depreciation	88,669	26,225	114,894
Total Operating Expenses	<u>143,286</u>	<u>63,421</u>	<u>206,707</u>
Operating Income (Loss)	<u>(11,369)</u>	<u>(49,174)</u>	<u>(60,543)</u>
Nonoperating Revenues (Expenses)			
Property Taxes	8,364	0	8,364
Miscellaneous	0	0	0
Interest earnings	572	166	738
Interest expense	(19,119)	0	(19,119)
Total Nonoperating Revenues (Expenses)	<u>(10,183)</u>	<u>166</u>	<u>(10,017)</u>
Income (Loss) Before Contributions and Transfers	<u>(21,552)</u>	<u>(49,008)</u>	<u>(70,560)</u>
Capital Contributions	0	0	0
Transfers In	0	0	0
Transfer Out	0	0	0
Change in Net Position	<u>(21,552)</u>	<u>(49,008)</u>	<u>(70,560)</u>
Total Net Position-Beginning	1,656,428	270,109	1,926,537
Total Net Position-Ending	<u>\$1,634,876</u>	<u>\$221,101</u>	<u>\$1,855,977</u>
Reconciliation			
Changes in Net Position Above			<u>(\$70,560)</u>
Adjustment to consolidate internal service activities related to enterprise activities			<u>0</u>
Changes in Net Position of Business-type Activities, Statement B			<u>(\$70,560)</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA
Statement of Cash Flows, Proprietary Funds
For the Year Ended June 30, 2017

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	(Major Enterprise Funds) WATER FUND	SEWER FUND	TOTAL ENTERPRISE FUNDS
Cash Flows From Operating Activities			
Receipts from customers and users	\$107,257	\$16,760	\$124,017
Payments to suppliers	(22,507)	(6,793)	(29,300)
Payments to employees	(11,470)	(11,470)	(22,940)
Net Cash Provided by Operating Activities	<u>73,280</u>	<u>(1,503)</u>	<u>71,777</u>
Cash Flows From NonCapital Financing Activities			
Property Taxes	8,364	0	8,364
Miscellaneous	0	0	0
Transfers to/from other funds	0	0	0
Net Cash Provided (used) by Noncapital Financing Activities	<u>8,364</u>	<u>0</u>	<u>8,364</u>
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	0	0	0
Proceeds from capital debt	0	0	0
Proceeds from sale of capital assets	0	0	0
Principal paid on capital debt	(7,394)	0	(7,394)
Interest paid on capital debt	(19,119)	0	(19,119)
Net Cash Provided (used) by Capital and Related Financing Activities	<u>(26,513)</u>	<u>0</u>	<u>(26,513)</u>
Cash Flows From Investing Activities			
Interest and dividends received	572	166	738
Net Cash Provided (used) by Investing Activities	<u>572</u>	<u>166</u>	<u>738</u>
Net Increase in Cash and Cash Equivalents	55,703	(1,337)	54,366
Cash and Cash Equivalents, Beginning of Year	687,420	73,898	761,318
Cash and Cash Equivalents, End of Year	<u>\$743,123</u>	<u>\$72,561</u>	<u>\$815,684</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities			
Operating income	(\$11,369)	(\$49,174)	(\$60,543)
Depreciation expense	88,669	26,225	114,894
(Increase) decrease in accounts receivable	(9,046)	2,620	(6,426)
(Increase) decrease in due from other funds	0	0	0
Increase (decrease) in allowance for uncollectible accounts	0	0	0
Increase (decrease) in customer deposits	(14,025)	0	(14,025)
Increase (decrease) in accounts payable	(124)	25	(99)
Increase (decrease) in due to other funds	19,175	18,801	37,976
Total Adjustments	<u>84,649</u>	<u>47,671</u>	<u>132,320</u>
Net Cash Provided by Operating Activities	<u>\$73,280</u>	<u>(\$1,503)</u>	<u>\$71,777</u>
Listing of Noncash Investing, Capital, and Financial Activities			
Borrowing under capital leases	0	0	0
Contributions of capital assets from government	0	0	0
Purchase of equipment on account	0	0	0
Increase in fair value of investments	0	0	0
Capital assets traded in	0	0	0

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA

Notes to the Financial Statements
As of and for the Year Ended June 30, 2017

INTRODUCTION

The Town of Mangham, Louisiana was incorporated March 4, 1907, under the provisions of the Lawrason Act. The Town operates under a Board of Aldermen-Mayor form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, public improvements and general administrative services. The Town has a population of approximately 650 people and employs seven people excluding the mayor and the five aldermen.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it 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. As used in GASB Statement No. 14, 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. The Town has oversight of other component units that are, either, blended into the Town's basic financial statements or discretely presented in a separate column in the government-wide financial statements. The Town of Mangham has no component units as of June 30, 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The Town reports the following major governmental funds:

The General Fund 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 Sales Tax Fund accounts for all sales taxes collected during the year.

The Town reports the following major proprietary funds:

The Water Fund provides water services to the citizens inside the Town's boundaries. It accounts for all revenues and expenses associated with providing water service.

The Sewer Fund provides sewer services to the citizens inside the Town's boundaries. It accounts for all revenues and expenses associated with providing sewer service.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues derived from the proprietary funds include water and sewer fees along with new installation fees. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments for the Town, as well as for its component units, are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town uses the allowance method for uncollectible water fees and writes off accounts when it deems them to be totally uncollectible.

E. Property Taxes

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Taxes due for:			
General Alimony	8.51	8.51	
Water Plant Fund	3.35	3.35	2016
Street Maintenance	2.24	2.24	2016
General fund	7.85	7.85	2016

Sales Taxes The Town of Mangham collects a 1% sales tax, which is not designated for a specific purpose at this time. The tax may be used for any expenditure necessary. Three of the millages expired in 2016 leaving the General Alimony to continue to be collected.

F. Restricted Assets

The Town's Water Fund has restricted assets in accordance with the loan agreement in the amount of \$22,644. An amount of \$222 per month is deposited into a reserve account per the agreement. This is to cover the loan in case of default.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$2,500 or more for capitalizing capital assets.

As permitted by GASB 34, the Town has elected not to report infrastructure assets retroactively.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The Town had no interest to capitalize under construction.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	40 Years
Furniture and fixtures	5 – 10 Years
Vehicles	5 Years
Equipment	7 – 15 Years
Sewer system	20 – 40 Years
Water system	20 – 40 Years

H. Compensated Absences

Full time employees of the Town earn 5/6 working days per year of 30 days for each month worked for annual leave. Annual leave cannot be accumulated therefore no accrual has been made.

Employees can earn up to 15 days of sick leave each year. Employees are not paid for accumulated sick leave upon termination, therefore, no accrual has been made.

I. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

GASB Statement No. 54 establishes standards for five fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in government funds. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted Fund Balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the town aldermen – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the town aldermen remove the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance – This classification reflects the amounts constrained by the town's "intent" to be used for specific purposes, but are neither restricted nor committed. The town aldermen and management have the authority to assign amounts to be used for specific purposes. Assigned fund

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance – This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the town’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned and unassigned – in order as needed.

K. Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION. The Town uses the following budget practices:

Preliminary budgets for the ensuing fiscal year are prepared by the Town Clerk during May of each year. Prior to June 15, the Mayor submits to the Board of Aldermen, a proposed budget for the fiscal year commencing the following July 1. The availability of the proposed budget for public inspection and the date of the next meeting on the budget are then advertised in the official journal. The budget is then adopted during the meeting prior to June 30. All annual appropriations lapse at year-end.

The budget comparison statements included in the accompanying financial statements reflect the original adopted budget and all amendments made. Accounting principles applied for purposes of developing data on a budgetary basis and those used to present financial statements in conformity with generally accepted accounting principles are the same and no adjustment is necessary to convert the actual GAAP data to the budgetary basis.

3. CASH AND CASH EQUIVALENTS

At June 30, 2017 the Town has cash and cash equivalents (book balances) totaling \$1,360,390 as follows:

	General Fund	Sales Tax Fund	Proprietary Funds	Totals
Demand deposits	\$443,239		\$607,568	\$1,050,807
Interest-bearing demand deposits	5,722			5,722
Time deposits	50,577	45,168	208,116	303,861
Other				
	<u>\$499,538</u>	<u>\$45,168</u>	<u>\$815,684</u>	<u>\$1,360,390</u>

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the 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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2017, the Town has \$1,372,816 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$1,172,453 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, RS 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

4. RECEIVABLES

The receivables of \$33,021 at June 30, 2017 are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Services	\$2,244	\$	\$13,262	\$15,506
Fines	9,360			9,360
Accrued Interest	52	6	356	414
Sales Tax		7,741		7,741
LGAP	0			0
Total	<u>\$11,656</u>	<u>\$7,747</u>	<u>\$13,618</u>	<u>\$33,021</u>

The proprietary funds have an allowance account of \$550 and used the direct write-off method when an account is deemed uncollectible.

5. INTERFUND RECEIVABLES/PAYABLES

Short-term cash loans between funds are considered temporary in nature. These amounts are reported as "due from/to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

6. CAPITAL ASSETS

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

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

	Balance 06/30/16	Additions	Retirements	Balance 06/30/17
Governmental Activities:				
Nondepreciable assets:				
Land	\$41,250	\$2,500		\$43,750
Depreciable assets:				
Buildings & improvements	173,906	7,105	(2,400)	178,611
Construction in progress	16,045	65,475		81,520
Equipment	88,705	8,164	(10,185)	86,684
Vehicles	36,882	27,295	(10,500)	53,677
Street Improvements	257,233			257,233
Total capital assets being depreciated	572,771	108,039	(23,085)	657,725
Less accumulated depreciation	(309,615)	(36,387)	15,746	(330,256)
Total capital assets being depreciated, net	263,156	71,652	(7,339)	327,469
Total governmental activities capital assets, net	<u>\$304,406</u>	<u>\$74,152</u>	<u>(\$7,339)</u>	<u>\$371,219</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$10,450			\$10,450
Depreciable assets:				
Structures & Sewer System	962,683			962,683
Water Plant & Distribution	2,178,764			2,178,764
Furniture & Equipment	84,992			84,992
Construction in Progress	0			0
Vehicles	21,162			21,162
Total capital assets being depreciated	3,247,601	0	0	3,247,601
Less accumulated depreciation	(1,224,407)	(114,894)	0	(1,339,301)
Total capital assets being depreciated, net	2,023,194	(114,894)	0	1,908,300
Total business-type activities capital assets, net	<u>\$2,033,644</u>	<u>(\$114,894)</u>	<u>\$0</u>	<u>\$1,918,750</u>

Depreciation expense is charges to functions of the governmental and business-type activities as follows:

Governmental Activities:		Business-Type Activities:	
General Government	5,240	Sewer	26,225
Public safety and protection	15,078	Water	88,669
Public works	14,261		
Sanitation	0		
Culture and recreation	1,808		
Totals	<u>36,387</u>		<u>114,894</u>

7. INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Fund	General Fund	\$288,889
Water Fund	General Fund	119,512
Special Revenues	General Fund	(47,710)
Sales Tax Fund	General Fund	47,710
Water Fund	Sewer Fund	1,704
Sewer Fund	Water Fund	(1,704)
		<u>\$408,401</u>

8. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$38,467 at June 30, 2017 are as follows:

	General Fund	Proprietary Funds	Total
Accounts	\$ 4,565	\$ 2,995	\$ 7,560
Other		15,540	15,540
	<u>\$4,565</u>	<u>\$18,535</u>	<u>\$23,100</u>

9. LEASES

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. All leases have been paid in full as of June 30, 2017.

10. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2017:

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

	Bonded Debt	USDA	Total
Long-term Obligations at Beginning of Year	\$0	\$472,533	\$472,533
Additions	0	0	0
Deductions	0	7,394	7,394
Long-term Obligations at End of Year	<u>\$0</u>	<u>\$465,139</u>	<u>\$465,139</u>

<u>Year Ending June 30, 2017</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2018	7,708	19,040	26,748
2019	8,032	18,716	26,748
2020	8,370	18,378	26,748
2021	8,721	18,027	26,748
2022	9,088	17,660	26,748
2023-2049	<u>423,220</u>	<u>263,315</u>	<u>686,535</u>
Total	<u>\$465,139</u>	<u>\$355,136</u>	<u>\$820,275</u>

The water fund accounts for the USDA funding and the general fund has no long-term debt as of June 30, 2017.

A water project loan from the USDA originated on 05/09/08 at 4.125 percent interest. This loan was granted to make major improvements to the water system lines and water plant. At completion, a payment of \$16,494 was made which consisted of accrued interest to date and \$584 of principal. The monthly payments of \$2,229 began 05/09/09 for a period of 40 years.

11. RETIREMENT SYSTEMS

A. Municipal Employees' Retirement System of Louisiana (System)

Plan Description

The Town of Mangham contributes to the Municipal Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System.

Any member of Plan B who was hired before January 1, 2013, can retire providing the member meets on of the following criteria:

1. Any age with 30 years of creditable service.
2. Age 60 with a minimum of ten or more years of creditable service.

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

3. Any age with ten years of creditable service eligible for disability benefits.
4. Survivor's benefits require five years creditable service at death of member.

Eligibility for retirement for Plan B members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven or more years of creditable service.
2. Age 62 with ten or more years of creditable service.
3. Age 55 with thirty or more years of creditable service.
4. Any age with twenty five years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

Generally, the monthly amount of the retirement shall consist of an amount equal to 2% of the employee's final compensation multiplied by his or her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. The System also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended June 30, 2017, the Town's total payroll for all employees was \$151,663. Total covered payroll was \$22,473. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810, or by visiting the System's website www.mersla.com.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2017, the actual employer contribution rate was 11.0% for Plan B, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Under Plan B, members are required by state statute to contribute 5.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town to the System monthly. The Town's contributions to the System under Plan B for the year ending June 30, 2017 were \$2,479.

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

At June 30, 2017, the Employer reported a liability of \$24,856 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town of Mangham's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

participating employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.029987%, which was an increase of 0.000996% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$4,473 plus employer's amortization of change in proportionate share, differences between employer contributions and proportionate share of contributions, and current year contributions, which was (\$587). Total pension expense for the Town of Mangham for the year ended June 30, 2017 was \$3886.

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	204	359
Changes in assumptions	1,239	0
Net difference between projected and actual earnings on pension plan	6,093	0
Changes in employer's proportion of beginning net pension liability	676	1,350
Differences between employer and proportionate share of contributions	4,996	0
Subsequent measurement contributions	2,479	0
Total	15,688	1,709

The \$2,479 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2017	3,495
2018	3,495
2019	3,495
2020	3,495

Actuarial Assumptions

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

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

Actuarial Assumptions:	
Investment Rate of Return	7.500%
Inflation Rate	2.875%
Salary increases, including inflation and merit increases	5.000%
Annuitant and beneficiary mortality	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
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females
Disabled lives mortality	For disabled annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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 and an adjustment for the effect of rebalancing/diversification. Best estimates of arithmetic real rates for each major asset class included in the System's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.6%
Public fixed income	35%	1.8%
Alternatives	15%	0.8%
Totals	100%	5.2%
Inflation		2.5%
Expected arithmetic nominal return		7.6%

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for the years ended June 30, 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System'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 payment to determine the total pension liability.

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2016 is 4 years for Plan B.

Sensitivity of the Town of Mangham's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current rate:

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
Employer's proportionate share of net pension liability	32,155	24,856	18,629

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Municipal Employees' Retirement System of Louisiana Audit Report at www.mersla.com.

12. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made due to GASB 68 implementation regarding the pension reporting requirements for the prior year. An error in the prior calculation of the pension information was noticed when calculating the current year pension reporting information. This was corrected by restating the beginning balance of net position.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 21, 2016, which is the day the financial statements were available to be issued, and it has been determined that other significant events have occurred for disclosure.

The Town of Mangham failed to renew the ad valorem taxes which will cause an estimated loss of \$35,000 to \$40,000 in revenues for the fiscal year ending June 30, 2018. The Town is currently working with an attorney to have the ad valorem taxes placed on a ballot as soon as possible. The Town will be working diligently to get the citizens to vote for the taxes at that time.

REQUIRED SUPPLEMENTAL INFORMATION (PART B)
BUDGETARY COMPARISON SCHEDULES

TOWN OF MANGHAM, LOUISIANA

**Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual (GAAP Basis)
General Fund (and all major governmental funds)
For the Year Ended June 30, 2017**

Required Supplemental Information

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance With Final Budget Over(Under)
	Original	Final		
Revenues				
Taxes:				
Sales and use	\$107,000	\$93,000	\$89,205	(\$3,795)
Franchise tax	18,700	16,100	14,755	(1,345)
Ad valorem tax	43,400	47,300	46,325	(975)
Other taxes, penalties, interest, etc.	0	0	0	0
Licenses and permits	31,000	38,000	48,551	10,551
Intergovernmental revenues:				
State funds:				
State revenue sharing (net)				0
Grant	15,000	44,000	100,475	56,475
Charges for services	27,100	26,000	20,173	(5,827)
Fines and forfeitures	148,500	167,000	169,102	2,102
Investment earnings	0	0	313	313
Other revenues	17,200	17,150	24,538	7,388
Total Revenues	<u>407,900</u>	<u>448,550</u>	<u>513,437</u>	<u>64,887</u>
Expenditures				
General Government	86,200	87,400	89,157	1,757
Public safety and protection	144,800	146,650	154,886	8,236
Public works	37,150	37,600	37,716	116
Sanitation	27,100	26,900	25,140	(1,760)
Culture and recreation	9,200	8,800	9,418	618
Capital Outlay	0	47,500	108,039	60,539
Total Expenditures	<u>304,450</u>	<u>354,850</u>	<u>424,356</u>	<u>69,506</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	103,450	93,700	89,081	(4,619)
OTHER FINANCING SOURCES (USES)				
Transfers In	104,300	91,600	87,918	3,682
Transfers Out	(104,300)	(91,600)	(87,918)	(3,682)
Total Other Financing Sources and Uses	0	0	0	0
Net Change in Fund Balance	103,450	93,700	89,081	(4,619)
Fund Balance (Deficit) at Beginning of Year (Restated)	<u>878,864</u>	<u>878,864</u>	<u>878,864</u>	<u>0</u>
Fund Balance (Deficit) at End of Year	<u>\$982,314</u>	<u>\$972,564</u>	<u>\$967,945</u>	<u>(\$4,619)</u>

Preliminary budgets for the ensuing fiscal year are prepared by the Town Clerk during May of each year. Prior to June 15, the Mayor submits to the Board of Aldermen, a proposed budget for the fiscal year commencing the following July 1. The availability of the proposed budget for public inspection and the date of the next meeting on the budget are then advertised in the official journal. The budget is then adopted during the meeting prior to June 30. All annual appropriations lapse at year-end.

The budget comparison statements reflect the original adopted budget and all amendments made. Accounting principles applied for purposes of developing data on a budgetary basis and those used to present financial statements in conformity with generally accepted accounting principles are the same and no adjustment is necessary to convert the actual GAAP data to the budgetary basis.

The accompanying notes are an integral part of this financial statement.

OTHER SUPPLEMENTAL SCHEDULES

TOWN OF MANGHAM, LOUISIANA

**Schedule of Compensation, Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2017**

Chief Executive Office: John Natt, Mayor	Amount
Salary (Gross)	\$2,011
Benefits:	
Social Security & Medicare	154
Health Insurance	55
Car Allowance	0
Pension	0
Total Employer Cost	<u>2,220</u>
Travel expenditures (Conferences, etc)	807
Meals	0
Grand Total	<u><u>\$3,027</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MANGHAM, LOUISIANA

Schedule of Compensation Paid Board of Aldermen
For the Year Ended June 30, 2017

<u>Board of Aldermen</u>	<u>Amount</u>
Zona McKay, Mayor Pro-Tem	312
Danny Hendrix	35
Perry Ellington	295
Anthony Killian	295
Dennis Wollerson	104
Total	<u>\$1,041</u>
Perry Ellington was paid for travel and conference	<u>\$478</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MANGHAM, LOUISIANA

**Schedule of Employer's Share of Net Pension Liability
Municipal Employees Retirement System (Plan B)
For the Year Ended June 30, 2017**

Year	Employer's Proportion of the Net Pension Liability (Asset)	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 Payroll	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
2015	0.622103%	(13,255)	102,248	12.96%	73.99%
2016	0.028991%	(19,704)	16,795	117.32%	66.18%
2017	0.029987%	(24,856)	22,491	110.52%	63.34%

TOWN OF MANGHAM, LOUISIANA

**Schedule of Employer Contributions
Municipal Employees Retirement System (Plan B)
For the Year Ended June 30, 2017**

Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions in	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	1,596	1,596	0	16,795	9.50%
2016	2,137	2,102	34	22,491	9.35%
2017	2,472	2,479	(7)	22,473	11.03%

The accompanying notes are an integral part of these financial statements.

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S 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 Board of Aldermen of
The Town of Mangham, Louisiana

I 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, business type activities, each major fund and the aggregate remaining fund information of the Town of Mangham, Louisiana 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 my report thereon dated December 21, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town's internal 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 17-1 that I consider to be a significant deficiency.

To the Honorable Mayor and Board of Aldermen of
The Town of Mangham, Louisiana
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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. The purpose of this report is for the information of management and the Legislative Auditor and is not intended to be or should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is to be distributed by the Legislative Auditor as a public document.

David M. Saal, CPA (APSC)

West Monroe, Louisiana
December 21, 2017

TOWN OF MANGHAM, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Honorable Mayor and Board of Aldermen of the
Town of Mangham, Louisiana

I have audited the financial statements of the Town of Mangham, Louisiana as of and for the year ended June 30, 2017, and have issued my report thereon dated December 21, 2017. I conducted my 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. My audit of the financial statements as of June 30, 2017, resulted in an unqualified opinion.

Section I- Summary of Auditor's Results

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness yes no
Significant Deficiencies not considered to be
Material Weaknesses yes no

Compliance

Compliance Material to Financial Statements yes no

B. Federal Awards – N/A

Material Weakness Identified yes no
Significant Deficiencies not considered to be
Material Weaknesses yes no

Type of Opinion on Compliance For Major Programs (No Major Programs)

Unqualified Qualified
Disclaimer Adverse

Are their findings required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)?
N/A

C. Identification of Major Programs: N/A

Name of Federal Program (or cluster)
CFDA Number(s)

Dollar threshold used to distinguish between Type A and Type B Programs. N/A

Is the auditee a “low-risk” auditee, as defined by the Uniform Guidance? N/A

TOWN OF MANGHAM, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017 (continued)

17-1 Improving Segregation of Cash Duties

Condition:

At present, the Town Clerk of Mangham, Louisiana handles all aspects of the accounting system. She is responsible for, or has access to, the handling, recording and mailing of cash disbursements and receipts. Currently, she is the only person that is trained to do this job.

Criteria & Effect:

A fundamental concept in a good system of internal control is the segregation of duties.

Recommendation:

Although the size of the Town's accounting staff prohibits complete adherence to this concept, I believe the following practices could be implemented to improve existing internal control without impairing efficiency.

- Mail should be opened by an employee not responsible for accounting, such as the mayor or an alderman. Cash receipts could be recorded and the deposit prepared by this person.
- Cash receipts should be deposited intact daily. Holding receipts exposes the Town to loss.
- Bank statements, cancelled checks, etc. should be received by someone other than the employee maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.
- Signed checks should be also mailed without allowing them to be returned to the employee responsible for accounts payable.
- Management should review supporting documents for normal recurring disbursements (not usually reviewed) on a spot-check basis. Nonroutine testing would aid in ensuring compliance with Town policy for all disbursements.
- Credit card statements should be reviewed monthly by the mayor or an alderman.

Also, the Town should consider hiring another person to train to help the Town Clerk and assist her in her daily duties.

Response:

The Town's Aldermen have the opportunity to review the bank statements and reconciliations at each monthly Council meeting. The monthly invoices are also reviewed at that time. Two signatures are required on all checks written and the Mayor reviews each invoice prior to his signature. The cost of hiring a second employee to provide these safeguards far outweigh the benefits.

TOWN OF MANGHAM, LOUISIANA
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

16-1 Improving Segregation of Cash Duties

Condition:

At present, the Town Clerk of Mangham, Louisiana handles all aspects of the accounting system. She is responsible for, or has access to, the handling, recording and mailing of cash disbursements.

Recommendation:

Although the size of the Company's accounting staff prohibits complete adherence to this concept, we believe the following practices could be implemented to improve existing internal control without impairing efficiency.

- Mail should be opened by an employee not responsible for accounting, such as the mayor or an alderman. Cash receipts could be recorded and the deposit prepared by this person.
- Cash receipts should be deposited intact daily. Holding receipts exposes the Town to loss.
- Bank statements, cancelled checks, etc. should be received by someone other than the employee maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.
- Signed checks should be also mailed without allowing them to be returned to the employee responsible for accounts payable.
- Management should review supporting documents for normal recurring disbursements (not usually reviewed) on a spot-check basis. Nonroutine testing would aid in ensuring compliance with Town policy for all disbursements.
- Credit card statements should be reviewed monthly by the mayor or an alderman.

Action Taken:

The Town feels that it is not cost beneficial to hire another employee.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Town of Mangham, Louisiana and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Town of Mangham, Louisiana (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, I 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:

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
 - 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; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts**, including receiving, recording, and preparing deposits
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - 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
 - 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
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

- 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. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Currently, the Town does not have written policies and procedures addressing budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, ethics and debt service. The Town's office follows the Louisiana State Employees Guide to Travel Regulations for travel and expense reimbursement policy.

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.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - 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.
 - 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.

The Town's minutes were reviewed and the Council met monthly. Financial statements are included in the minutes.

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
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). 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 fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* 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;
 - 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; and
 - 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.

The Town's bank accounts and all bank reconciliations for each month has been prepared. There is no evidence that a member of management with no involvement in the transactions associated with the bank account has reviewed each bank reconciliation.

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
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 written 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 an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - 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 collection location selected.
 - 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 at each collection location.
 - 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.
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 to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

All cash/checks/money order (cash) collection is done at one location, the Town's office. There is only one employee that handles all aspects of the accounting process and she is not bonded. Receipts are given for cash received at Town Hall.

The highest (dollar) week of cash collections was selected and traced to the deposit slip and bank statement without exception. There is no written policy for the Town to determine completeness of all collections.

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.
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.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
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.
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.
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.
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.

A listing of disbursements was obtained and from that, 25 disbursements were randomly selected. Requisition or purchase orders are not used in purchasing and there is no approval on the invoices. There is only one employee in charge of all areas of the accounting function. This employee can add vendors to the computer system, has signatory authority, and initiates the purchase. She maintains blank checks in the filing cabinet and no signature stamp is used.

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.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement 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. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Report whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 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.)
 - 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.
 - 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.

The Town does not use any type of credit, debit, fuel or p-cards.

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.
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 (www.gsa.gov) and report any amounts that exceed GSA rates.

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.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - 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)
 - 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.
 - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

A list of all travel and related expense reimbursements, by person, was obtained. From this list, 3 employees that incurred the most travel costs during the year were selected to test the reimbursement reports, itemized receipts, that the purpose was documented and all reviewed with one exception. The travel expense statement was approved but there were no receipts or invoices attached. The reimbursements are reviewed and approved by someone other than the person receiving reimbursement.

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.
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). 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.
 - 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 and:

- 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)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- 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.
 - 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.
 - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

There are contracts in effect with the Town are contracts for water & sewer maintenance, and the contracts are updated annually. Also a two year garbage contract is approved every other year. The amount paid monthly was compared to the contract without exception.

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, 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.
- 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.

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, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- 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.

24. Obtain from management a list of those employees/officials 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/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

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.

There are only three employees in the Town's office. There are no formal employment contracts or pay rate structure. No changes were made to salaries during the year. No attendance or leave records are required to be maintained and no employees were terminated during the year.

All employee and employer portions of payroll taxes and the required reporting forms were filed timely.

26. Using the five randomly selected employees/officials 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 ethics training was completed.
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.

All of the employees or elected officials received the required ethics training. Inquired as to any alleged ethics violations being reported to them and there were none.

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

The Town issued no new debt during the year and made all timely debt service payments on its outstanding debt during the year. The Town has no millages tied to debt service.

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.
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) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

Inquired of management whether the Town's office had any misappropriations of public funds or assets and there was none. The entity does not have posted on its premises, the notice required by R.S. 24:523.1.

I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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.

David M. Haub, CPP (ADAC)

West Monroe, Louisiana
December 21, 2017