

TOWN OF SAREPTA, LOUISIANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

TOWN OF SAREPTA, LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

The Honorable Peggy Adkins, Mayor
and the Members of the Town Council
Town of Sarepta, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the general fund of the Town of Sarepta, Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the general fund information of the Town of Sarepta, Louisiana, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, listed as required supplementary information (Part 1) in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic

financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sarepta's basic financial statements. The budgetary comparison schedule, the schedule of proportionate share of net pension liability and schedule of pension contributions listed as required supplementary information (part II) in the table of contents as required by the Governmental Accounting Standards Board and the schedule of compensation, benefits and other payments to agency head or chief executive officer, schedule of insurance, and schedule of sewer rates listed as other supplemental information in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. These above listed schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the Town of Sarepta, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Town of Sarepta, Louisiana's internal control over financial reporting and compliance.

In accordance with the requirements of the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, we have issued a report dated December 18, 2019 on the results of those procedures and management's response on pages 64 through 74.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
December 18, 2019

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

TOWN OF SAREPTA, LOUISIANA
Management's Discussion and Analysis

June 30, 2019

As management of the Town of Sarepta, Louisiana, (hereafter referred to as "Town") we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Sarepta as of and for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

Financial Highlights

At June 30, 2019, the total assets and deferred outflows of resources of the Town of Sarepta exceeded the total liabilities and deferred inflows of resources by \$1,298,529 (total net position), a decrease of \$68,411 compared to the prior year's ending net position of \$1,366,940.

For the fiscal year ended June 30, 2019, the Town of Sarepta recognized a pension benefit of \$44,550. Net pension liability decreased \$43,862 (100%) from \$43,862 at June 30, 2018, to \$0 at June 30, 2019.

Unrestricted net position of \$414,781 (31.94% of total net position) represents the amount available to be used to meet the Town's ongoing obligations to the citizens of Sarepta, Louisiana.

The Town of Sarepta's proprietary (sewer) fund's net position decreased \$74,096 (11.96%) from \$619,704 at June 30, 2018, to \$545,608 at June 30, 2019.

As of the close of the fiscal year, the Town's governmental funds reported a decrease in ending fund balance of \$18,459 (4.31%) to \$409,702 from the \$428,161 fund balance for the prior year.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the Town of Sarepta's basic financial statements. The basic financial statements include two kinds of financial statements that present different views of the Town—the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain the information in the financial statements and provide additional detail. This report also contains additional required supplementary information—the budgetary and pension schedules—in addition to the basic financial statements. These components are described below:

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Sarepta's finances in a manner similar to a private-sector business. The government-wide financial statements include two statements:

The *statement of net position* presents information on all of the Town of Sarepta's assets and liabilities, with the difference between the two reported as *net position*. Overtime, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Sarepta is improving or deteriorating.

The *statement of activities* presents information showing how the Town of Sarepta'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 timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the financial statements above have separate sections for the two different types of Town activities. These activities are:

Governmental Activities--The activities in this section are mostly supported by taxes and intergovernmental revenues (grants). The services that fall into this category for the Town are general government, police, streets and right-of-ways, and cultural and recreation.

Business-type Activities--These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activity of the Town consists of the provision of sewer services.

The government-wide financial statements can be found immediately following this discussion and analysis.

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 Sarepta, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the Town government, reporting operations in more detail than the government-wide statements. The funds of the Town are divided into two categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The two categories of funds are:

Governmental fund financial statements. Most of the basic services provided by the Town are financed through governmental funds. These 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. This approach is known as using the flow of financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Town's finances and assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

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 government's near-term financing decisions. Both the governmental fund balance sheet and 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 Sarepta has one governmental fund: the General Fund, which is considered a major fund for presentation purposes. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances.

The governmental funds financial statements can be found immediately following the government-wide financial statements.

Proprietary fund financial statements. These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, they are known as proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The Town has one proprietary fund, the Sewer Fund, which is considered a major proprietary fund for presentation purposes.

The basic proprietary fund financial statements can be found immediately following the governmental funds financial statements.

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

Required Supplementary Information (Part II). The basic statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the general fund, and net pension liability schedules.

Other Supplementary Information. The schedule of compensation, benefits, and other payments to agency head or chief executive officer is presented to fulfil the requirements of Louisiana Revised Statute 24:513(A)(3). This supplementary information also includes a schedule of insurance and schedule of sewer rates.

Government-wide Activities Financial Analysis

Net Position

Net position may serve over time as a useful indicator of a government's financial position. The Town's combined net position (governmental and business-type activities) totaled \$1,298,529 and \$1,366,940 as of June 30, 2019, and 2018, respectively, a decrease of \$68,411 (5.00%). A portion of the Town's June 30, 2018, net position of \$789,432 (60.79%) is its investment in capital assets (e.g. land, buildings, improvements, infrastructure, and equipment); less accumulated depreciation and any related

debt used to acquire those assets that is still outstanding. This is compared to \$865,915 (63.35%) as of June 30, 2018. The Town uses these capital assets to provide services to the citizens of the Town; consequently, these assets are not available for future spending. Although the Town'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.

A portion of net position \$94,316 (7.26%) as of June 30, 2019 and \$88,584 (6.48%) as of June 30, 2018, is restricted by loan covenants for repayment of principal and interest on long-term debt.

The Town's unrestricted net position, \$414,781 (31.94%) and \$412,441 (30.17%) as of June 30, 2019 and 2018, respectively, may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and aldermen.

The following table provides a summary of the Town's net position:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2018	2018
Assets:						
Current and other assets	\$ 421,169	\$ 440,690	\$ 182,036	\$ 197,136	\$ 603,205	\$ 637,826
Capital assets	397,663	418,069	674,502	745,865	1,072,165	1,163,934
Total assets	<u>818,832</u>	<u>858,759</u>	<u>856,538</u>	<u>943,001</u>	<u>1,675,370</u>	<u>1,801,760</u>
Deferred Outflows:						
Pension related	-	5,328	-	-	-	5,328
Liabilities:						
Current liabilities	11,467	12,529	25,490	25,164	36,957	37,693
Long-term liabilities:						
Net pension liability	-	43,862	-	-	-	43,862
Bonds payable	-	-	266,705	282,733	266,705	282,733
Customer deposits	-	-	18,735	15,400	18,735	15,400
Total liabilities	<u>11,467</u>	<u>56,391</u>	<u>310,930</u>	<u>323,297</u>	<u>322,397</u>	<u>379,688</u>
Deferred Inflows:						
Pension related	54,444	60,460	-	-	54,444	60,460
Net Position:						
Net investment in capital assets	397,663	418,069	391,769	447,846	789,432	865,915
Restricted	-	-	94,316	88,584	94,316	88,584
Unrestricted	355,258	329,167	59,523	83,274	414,781	412,441
Total net position	<u>\$ 752,921</u>	<u>\$ 747,236</u>	<u>545,608</u>	<u>619,704</u>	<u>\$ 1,298,529</u>	<u>\$ 1,366,940</u>

Changes in net position

The Town's net position decreased by \$68,411 (5.00%) during the year ended June 30, 2019, compared to a decrease of \$77,772 (5.38%) in 2018. The difference is primarily due to an overall increase in expenses.

General revenues increased \$25,662 to \$300,494 in 2019 compared to a decrease of \$18,429 in 2018. During the year ended June 30, 2019, approximately 49.12% of total revenues of \$611,776 were derived from general revenues, including property taxes (20.7%), sales taxes (14.2%), and franchise taxes (11.7%).

Total program revenues increased a total of \$48,216 to \$311,282 (50.9%) of total revenues in 2019 compared to \$263,066 (48.9%) for the prior year. Charges for services of \$268,083 make up 43.82% of total revenues compared to \$248,001 or 46.11% in 2018.

Total expenses increased \$64,517 or 10.48%. The largest expenses were: sewer operations, \$258,266 (37.97%); general government, \$192,703 (28.33%); public safety, \$137,484 (20.21%) public works, \$48,871 (7.19%); and parks and recreation, \$29,037 (4.27%). Net expense from business-type activities exceeded revenues by \$74,096 in 2019. The following table provides a summary of the Town's changes in net position:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 118,803	\$ 101,382	\$ 149,280	\$ 146,619	\$ 268,083	\$ 248,001
Operating grants and contributions	18,084	15,065	-	-	18,084	15,065
Capital grants and contributions	-	-	25,115	-	25,115	-
General revenues:						
Property taxes	126,472	132,085	-	-	126,472	132,085
Sales taxes	87,095	78,142	-	-	87,095	78,142
Franchise taxes	71,727	64,300	-	-	71,727	64,300
Licenses and permits	5,768	5,716	-	-	5,768	5,716
Interest	1,549	1,001	1,169	606	2,718	1,607
Gain(loss) on sale of assets	-	(13,890)	-	-	-	(13,890)
Other	6,714	6,872	-	-	6,714	6,872
Total revenues	436,212	390,673	175,564	147,225	611,776	537,898
Expenses:						
General government	192,703	166,575	-	-	192,703	166,575
Public safety: Police	137,484	127,804	-	-	137,484	127,804
Public works: Streets	48,871	48,844	-	-	48,871	48,844
Parks and recreation	29,037	35,248	-	-	29,037	35,248
Sewer	-	-	258,266	222,665	258,266	222,665
Interest on long-term debt	-	-	13,826	14,534	13,826	14,534
Total expenses	408,095	378,471	272,092	237,199	680,187	615,670
Increase (decrease) in net position before transfers	28,117	12,202	(96,528)	(89,974)	(68,411)	(77,772)
Transfers in (out)	(22,432)	(67,286)	22,432	67,286	-	-
Change in net position	5,685	(55,084)	(74,096)	(22,688)	(68,411)	(77,772)
Net position-beginning	747,236	802,320	619,704	642,392	1,366,940	1,444,712
Net position - ending	\$ 752,921	\$ 747,236	\$ 545,608	\$ 619,704	\$ 1,298,529	\$ 1,366,940

Governmental Funds Financial Analysis

As noted earlier, the Town of Sarepta uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the 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 year, the Town's governmental fund, the General Fund, reported an ending fund balance of \$409,702, a decrease of \$18,459 (4.31%) compared to the prior year. As of June 30, 2019, the General Fund's unassigned fund balance of \$225,500 (55.04%) is available for spending during the coming year at the discretion of the mayor and town council. \$174,542 (42.60%) has already been committed to fund sewers, streets, festival, and parks expenditures while \$9,660 (2.36%) consists of prepaid insurance and is unavailable for spending during the coming year.

Proprietary Fund

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town's proprietary fund (Sewer Fund) reported operating expenses of \$258,266 during the year ended June 30, 2019 compared to \$222,665 for the prior year, which were \$83,871 and \$76,046 greater than operating revenues of \$174,395 and \$146,619, respectively. The town's proprietary fund also reported a non-operating expense of \$13,826 for interest netted against interest income of \$1,169. The General Fund made operating transfers to the Sewer Fund of \$22,432, which consisted of fixed assets. Thus, the sewer fund reported a decrease of \$74,096 (11.96%) in net assets in the fiscal year ended June 30, 2019.

At the end of the current year, the Town's Sewer Fund reported ending net position of \$545,608. \$391,769 (71.80%) represents investment in capital assets net of accumulated depreciation and related outstanding debt. A total of \$94,316 (17.29%) is restricted by loan covenants for repayment of principal and interest on long-term debt and \$59,523 (10.91%) is unrestricted and available for spending at the Town's discretion.

General Fund Budgetary Highlights

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the Town complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.). The Town amended the original budget primarily for an increase in expenses overall. The Town was in compliance with the Budget Act. Actual revenues were more than was budgeted. Actual expenses were less than the budgeted amounts.

Capital Asset and Debt Administration

Capital assets The Town of Sarepta's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totaled \$2,819,709, net of accumulated depreciation of \$1,747,544 leaving a book value of \$1,072,165. This investment includes land, buildings, furniture, equipment and infrastructure.

Long-term debt At year end, the Town had \$282,733 in sewer revenue bonds outstanding, a decrease of \$15,286 (5.40%) compared to the prior year. Revenues derived or to be derived from the operation of the sewer system, after paying the reasonable and necessary expenses of operating and maintaining the system, are dedicated and pledged to the payment of the outstanding debt as set forth in the loan agreement. The Town is required to make monthly deposits into accounts restricted for the Bond Sinking Fund, the Bond Contingency Fund, and the Bond Reserve Fund as more fully described in Note 7.

Economic Factors and Next Year's Budget

For the fiscal year ending June 30, 2019, the following factors were considered when the budget was prepared:

- General revenues and sewer fees collected will remain consistent with the prior year.
- Other expenditures are expected to remain steady with the prior year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Sarepta'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 of Sarepta, P. O. Box 338, Sarepta, LA 71071-0388 or by calling (318) 847-4333.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF SAREPTA, LOUISIANA

STATEMENT OF NET POSITION

June 30, 2019

ASSETS	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 316,643	\$ 40,110	\$ 356,753
Investments	66,364	39,405	105,769
Receivables, net of allowance for uncollectible	20,129	11,241	31,370
Prepaid insurance	9,660	-	9,660
Restricted cash and cash equivalents	-	99,653	99,653
Internal balances	8,373	(8,373)	-
Total current assets	<u>421,169</u>	<u>182,036</u>	<u>603,205</u>
Non-current assets:			
Capital assets, net of accumulated depreciation	<u>397,663</u>	<u>674,502</u>	<u>1,072,165</u>
TOTAL ASSETS	<u>818,832</u>	<u>856,538</u>	<u>1,675,370</u>
LIABILITIES			
Current liabilities:			
Accounts, payroll, and other payables	11,467	9,462	20,929
Revenue bonds, current	-	16,028	16,028
Total current liabilities	<u>11,467</u>	<u>25,490</u>	<u>36,957</u>
Non-current liabilities:			
Customer deposits	-	18,735	18,735
Bonds payable	-	266,705	266,705
Total non-current liabilities	<u>-</u>	<u>285,440</u>	<u>285,440</u>
TOTAL LIABILITIES	<u>11,467</u>	<u>310,930</u>	<u>322,397</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	<u>54,444</u>	<u>-</u>	<u>54,444</u>
NET POSITION			
Net investment in capital assets	397,663	391,769	789,432
Restricted for debt service	-	94,316	94,316
Unrestricted	<u>355,258</u>	<u>59,523</u>	<u>414,781</u>
TOTAL NET POSITION	<u>\$ 752,921</u>	<u>\$ 545,608</u>	<u>\$ 1,298,529</u>

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

TOWN OF SAREPTA, LOUISIANA

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

Primary Government	Expenses	Program Revenues			Net (Expenses), Revenues, and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
General government	\$ 192,703	\$ -	\$ -	\$ -	\$ (192,703)	\$ -	\$ (192,703)
Public safety: Police	137,484	100,585	11,583	-	(25,316)	-	(25,316)
Public works: Streets & right of ways	48,871	-	-	-	(48,871)	-	(48,871)
Parks and recreation	29,037	18,218	6,501	-	(4,318)	-	(4,318)
Total Governmental Activities	<u>408,095</u>	<u>118,803</u>	<u>18,084</u>	<u>-</u>	<u>(271,208)</u>	<u>-</u>	<u>(271,208)</u>
Business-Type Activities							
Sewer	258,266	149,280	-	25,115	-	(83,871)	(83,871)
Interest on debt	13,826	-	-	-	-	(13,826)	(13,826)
Total Business-type Activities	<u>272,092</u>	<u>149,280</u>	<u>-</u>	<u>25,115</u>	<u>-</u>	<u>(97,697)</u>	<u>(97,697)</u>
Total Primary Government	<u>\$ 680,187</u>	<u>\$ 268,083</u>	<u>\$ 18,084</u>	<u>\$ 25,115</u>	<u>\$ (271,208)</u>	<u>(97,697)</u>	<u>(368,905)</u>
General Revenues:							
Ad valorem taxes					126,472	-	126,472
Sales tax					87,095	-	87,095
Franchise taxes					71,727	-	71,727
License and permits					5,768	-	5,768
Investment earnings					1,549	1,169	2,718
Other general revenues					6,714	-	6,714
Transfers (out) in					(22,432)	22,432	-
Total general revenues and transfers					<u>276,893</u>	<u>23,601</u>	<u>300,494</u>
Change in Net Position					5,685	(74,096)	(68,411)
Net position - beginning					747,236	619,704	1,366,940
Net position - ending					<u>\$ 752,921</u>	<u>\$ 545,608</u>	<u>\$ 1,298,529</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF SAREPTA, LOUISIANA
BALANCE SHEET-GOVERNMENTAL FUND
June 30, 2019

ASSETS		<u>General Fund</u>
Cash and cash equivalents	\$	316,643
Investments		66,364
Receivables		20,129
Prepaid insurance		9,660
Due from other fund		<u>8,373</u>
TOTAL ASSETS	\$	<u><u>421,169</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts, payroll, and other payables	\$	11,467
Total Liabilities		<u>11,467</u>
Fund Balance:		
Nonspendable		
Prepaid insurance		9,660
Committed		
Sewers, streets and parks		174,542
Unassigned		
Total Fund Balance		<u>225,500</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>421,169</u></u>

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

TOWN OF SAREPTA, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
 June 30, 2019

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

Fund Balance, Total Governmental Funds, Statement C	\$ 409,702
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the government funds	397,663
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds	
Deferred inflows--pension related	<u>(54,444)</u>
Net Position of Governmental Activities, Statement A	<u>\$ 752,921</u>

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

TOWN OF SAREPTA, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the year ended June 30, 2019

	<u>General Fund</u>
Revenues:	
Taxes	
Ad valorem taxes	\$ 126,472
Sales taxes	87,095
Franchise taxes	71,727
Licenses and permits	5,768
Fines and forfeitures	100,585
Intergovernmental	
State: On-behalf payments	11,583
Parks and recreation	18,218
Contributions	6,501
Interest	1,549
Other	6,714
Total Revenues	436,212
Expenditures:	
Current	
General government	187,276
Public Safety: Police	163,928
Public Works: Streets and right of ways	45,448
Parks and recreation	23,587
Total Expenditures	432,239
Excess (Deficiency) of Revenues over Expenditures	3,973
Other Financing Sources (Uses):	
Transfers out	(22,432)
Total Other Financing Sources (Uses)	(22,432)
Net change in fund balance	(18,459)
Fund balance, beginning of year	428,161
Fund balance, end of year	\$ 409,702

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

TOWN OF SAREPTA, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

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

Net Change in Fund Balance, Governmental Fund, Statement E	\$	(18,459)
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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 exceed depreciation in the current period:

Capital outlays		12,000
Depreciation		(32,406)

In the government-wide Statement of Activities pension benefits are recorded, but not in the governmental fund statement.

Pension benefit (expense)		<u>44,550</u>
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Change in Net Position of Governmental Activities, Statement B	\$	<u><u>5,685</u></u>
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The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND

TOWN OF SAREPTA, LOUISIANA

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2019

ASSETS	<u>Sewer Fund</u>
Current assets:	
Cash and cash equivalents	\$ 40,110
Investments	39,405
Sewer fee receivables, net of allowance	11,241
Total current assets	<u>90,756</u>
Restricted assets:	
Restricted cash and cash equivalents	99,653
Total restricted assets	<u>99,653</u>
Non-current assets:	
Capital assets, net of accumulated depreciation	674,502
Total non-current assets	<u>674,502</u>
TOTAL ASSETS	<u>864,911</u>
LIABILITIES	
Current liabilities:	
Accounts payable	9,462
Due to other fund	8,373
Payable from restricted assets:	
Revenue bonds	16,028
Total current liabilities	<u>33,863</u>
Non-current liabilities:	
Customer deposits	18,735
Bonds payable	266,705
Total non-current liabilities	<u>285,440</u>
TOTAL LIABILITIES	<u>319,303</u>
NET POSITION	
Net investment in capital assets	391,769
Restricted for debt service	94,316
Unrestricted	59,523
TOTAL NET POSITION	<u>\$ 545,608</u>

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

TOWN OF SAREPTA, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
For the year ended June 30, 2019

	Sewer Fund
Operating Revenues	
Charges for services	
Sewer service fees	\$ 149,280
Capital contribution	25,115
Total Operating Expenses	174,395
 Operating Expenses	
Cost of sales and services	174,004
Administration	12,899
Depreciation	71,363
Total Operating Expenses	258,266
 Operating Income (Loss)	(83,871)
 Nonoperating Revenues (Expenses)	
Interest earnings	1,169
Interest expense	(13,826)
Total Nonoperating Revenues (Expenses)	(12,657)
 Income (Loss) Before Transfers	(96,528)
 Transfer from General Fund	22,432
 Change in Net Position	(74,096)
 Total Net Position, beginning of year	619,704
Total Net Position, end of year	\$ 545,608

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

TOWN OF SAREPTA, LOUISIANA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the year ended June 30, 2019

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 155,257
Cash payments to suppliers for goods and services	(104,490)
Cash payments to employees for services	(54,203)
Net cash used by operating activities	<u>(3,436)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer from general fund	22,432
Principal paid on capital debt	(15,286)
Interest paid on capital debt	(13,826)
Net cash provided by capital and related financing activities	<u>(6,680)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(848)
Interest received	1,169
Net cash provided by investing activities	<u>321</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,795)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	149,558
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 139,763</u>
Reconciliation of total cash and cash equivalents:	
Current assets - Cash and cash equivalents	\$ 40,110
Restricted cash and cash equivalents	99,653
Total cash and cash equivalents	<u>\$ 139,763</u>
Reconciliation of operating income(loss) to net cash provided(used) by operating activities:	
Operating income (loss)	\$ (83,871)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Depreciation and amortization	71,363
(Increase) decrease in accounts receivable	2,642
Increase (decrease) in accounts payable	(416)
Increase (decrease) due to other fund	3,511
Increase (decrease) in customer deposits	3,335
Total adjustments	<u>80,435</u>
Net cash (used) by operating activities	<u>\$ (3,436)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

N INTRODUCTION

The Town of Sarepta, Louisiana, was incorporated under the provisions of the Lawrason Act. The Town is governed by the mayor, town council form of government. The mayor and five councilmen are elected and serve four-year terms that expire on December 31, 2020. In addition to the Town Clerk and Chief of Police, the Town has two sewer/street employees and a part time billing clerk. The Town has a population of 834 (2018 Census estimate) and is located in northwest Louisiana in Webster Parish.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Sarepta's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Reporting Entity

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. This report includes all funds that are controlled by or dependent on the Town's Executive and Legislative Branches (The Mayor and Board of Aldermen).

The primary government (Town of Sarepta) is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no entities that were determined to be component units of the Town of Sarepta.

B. Fund Accounting

The Town uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Town functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Government funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town, or the total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds, or management believes that the fund is particularly important to the financial statement users. The municipality reports the following governmental fund:

- The *General Fund* is the municipality'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 General Fund is always reported as major governmental fund in governmental fund statements.

Proprietary funds are used to account for ongoing activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. Proprietary funds account for operations (a) that are financed and operated in a manner similar to private business—where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

- The *Sewer Fund* is the Town's business-type fund and is considered a major fund. It accounts for all assets, liabilities, revenues, and expenses pertaining to the provision of sewer service to customers.

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

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. Individual funds are not displayed. 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.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide view of the Town's operations.

The amounts reflected in the governmental fund financial statements use 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 claims and judgments, are recorded only when payment is due.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Property taxes, sales taxes, franchise taxes, grant revenue, charges for services 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. Fines, permits, and license revenues are considered to be measurable and available only when cash is received by the government.

Salaries and related benefits are recorded when employee services are provided to the Town.

Proprietary Fund Financial Statements

The financial statements of the proprietary fund are reported using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The amounts reflected in the Proprietary Fund Financial Statements use the accrual basis of accounting. All assets and liabilities (whether current or non-current) associated with their activities are reported.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 principal operating revenue of the proprietary fund is sewer operating fees. Operating expenses for the proprietary fund 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 non-operating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is charges between the government's governmental and proprietary operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits, interest bearing demand deposits and short-term, highly liquid investments with original maturities of 90 days or less when purchased. Investments are interest-bearing time deposits with original maturity dated in excess of 90 days when purchased. Investments are stated at cost, which approximates market value.

Under state law the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state bank organized under Louisiana law and national banks having principal offices in Louisiana.

E. Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. The receivables for the governmental activities include ad valorem taxes, sales and use tax, and franchise taxes. Business-type activities report customer's sewer service charges as its major receivable. Uncollectible amounts due for sewer charges are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Prepaid Insurance

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid expenses.

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. There are no assets valued at estimated cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains the following threshold levels for capitalizing assets:

Land	\$	1
Land improvements		10,000
Buildings		10,000
Machinery and equipment		5,000
Infrastructure		25,000
Computer software		5,000

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

In accordance with GASB Statement 34, the Town has elected an exception for local governments with annual revenues of less than \$10 million and will prospectively capitalize infrastructure from the date of implementation of GASB Statement 34 forward and will not retroactively capitalize infrastructure.

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

Description	Estimated Lives
Buildings	20-40 years
Equipment	5-15 years
Sewer improvements	25 years
Outdoor and playground equipment	20 years

H. Compensated Absences

The Town of Sarepta has the following policy relating to vacation and sick leave:

Vacation: Employees are entitled to five days after one continuous year of service; ten days after two continuous years of service; and fifteen days after ten years of service and thereafter. Vacation time will not be allowed to accrue and will be calculated based on the anniversary date of employment.

Sick leave: Employees are entitled to ten sick leave days per year. The days are based on the fiscal year of July 1, to June 30. Sick days may accrue up to thirty days. After thirty days, the employee is paid for excess sick days at a rate of 1/260th of their annual salary. Sick pay vests with the employee (i.e. is paid upon termination) and is recognized as an expense by the Town as earned.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Town has only one item that qualifies for reporting in this category, deferred amounts related to the pension plan.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the Town has only one item that qualifies for reporting in this category, deferred amounts related to the pension plan.

In the governmental fund financial statements, deferred inflows of resources arise when the Town receives resources before it has legal claim to them, as when contributions are received in advance of the period in which they must be used. In subsequent periods, when both revenue recognition criteria have been met or the Town has legal claim to the resources, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

J. Restricted Assets

Restricted assets include cash and cash equivalents in the business type activity (Sewer Fund) that is legally restricted as to their use. The restricted assets are related to the revenue bond accounts and customer's sewer deposits.

K. Net Position/Fund Equity

NET POSITION

In the government-wide financial statements, fund equity (the difference between assets and liabilities) is classified as net position and reported in three components:

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

The Town of Sarepta's policy is to consider restricted net position to have been depleted before unrestricted net position is applied.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Position/Fund Equity (continued)

FUND BALANCES

As required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, this statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable* – Amounts that are not in spendable form (such as prepaid expenses) or they are legally or contractually required to be maintained intact.
- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors or laws or regulations of other governments).
- *Committed* – Amounts constrained by the Town itself at its highest level of decision making (the Town Council). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.
- *Assigned* – Amounts the Town intends to use for a specific purpose as established by the Town Council or a body or official (Mayor) to which the Town Council has delegated authority to assign amounts for specific purposes.
- *Unassigned* – All amounts which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a negative unassigned fund balance amount.

The Town of Sarepta establishes (and modifies and rescinds) fund balance commitments and assignments by passage of an ordinance or resolution. The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

L. Interfund Transactions and Balances

Quasi-external transactions, if any, are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are property applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and due from other funds." These receivables and payables are classified as internal balances on the statement of net position and as due from/to other funds in the fund financial statements.

M. 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.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss the Town maintains commercial insurance policies and surety bond coverage. There have been no claims filed in the last three years.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents:

At June 30, 2019, the Town has cash and cash equivalents (book balances) in deposits totaling \$456,406 as follows:

	General Fund	Sewer Fund	Total
Cash	\$ 2,286	\$	\$ 2,286
Interest-bearing demand deposits	310,134	114,021	424,155
Demand deposits	4,223	25,742	29,965
	\$ 316,643	\$ 139,763	\$ 456,406

Per financial statements:

Cash and cash equivalents	\$	356,753
Restricted cash and cash equivalents		99,653
	\$	456,406

Investments:

At June 30, 2019, the Town has investments (book balances) totaling \$105,769 as follows:

	General Fund	Sewer Fund	Total
Certificates of deposit	\$ 66,364	\$ 39,405	\$ 105,769

These deposits are stated at cost, which approximates market.

The cash and cash equivalents and investments of the Town of Sarepta are subject to the following risks:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. 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 or exceed 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. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities with 10 days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand. Further Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Town's name.

At June 30, 2019, the Town has collected bank balances of deposits totaling \$576,439. These deposits are secured from risk by \$445,125 of federal deposit insurance and \$131,314 of NCUSIF insurance. The remaining balance is secured by pledged securities held by the custodial bank in the name of the Town (GASB Category 2).

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy, however, as a means of offsetting exposure to interest rate risk the Town's certificates of deposit have maturities of one year or less which limits exposure to fair value losses arising from rising interest rates.

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of an investment. The Town's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state bank organized under Louisiana law and national banks having principal offices in Louisiana.

3. LEVIED TAXES

The Town of Sarepta has a 1% sales and use tax approved by the voters on October 24, 1987, and authorized through March 31, 2027. The tax, after all necessary costs for collection and administration, is dedicated for any lawful corporate purpose.

Sales tax collections for the year ended June 30, 2019, are \$87,095.

The Town also levies taxes on real and business personal property located within the boundaries of the town. Ad valorem (property) taxes are levied by the Town on property values assessed by the Webster Parish Tax Assessor and approved by the State of Louisiana Tax Commission. Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are billed to the taxpayer in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

For the year ended June 30, 2019, taxes of 21.61 mills were levied on property with taxable valuations totaling \$6,094,360 and were dedicated as follows.

Taxes due for:	Authorized Millage	Levied Millage	Expiration Date
General alimony	7.00	7.77	Indefinite
Sewers/streets/parks/recreation	14.00	13.84	2020

The difference between authorized and levied millages is the result of reassessments of taxable property within the parish as required by Louisiana Constitution Article VII, Section 18(F). This revaluation of all property is required to be completed no less than every four years. Total ad valorem taxes levied are \$126,245.

4. RECEIVABLES

The following is a summary of receivables at June 30, 2019:

	General	Sewer
Sales and use tax	\$ 8,088	\$ -
Ad valorem tax	31	-
Franchise tax	802	-
Other (fines & refunds)	8,643	-
Mowing	2,565	-
Sewer fees	-	17,334
Total accounts receivable	<u>20,129</u>	<u>17,334</u>
Less: Allowance for uncollectibles	-	(6,093)
Net accounts receivable	<u>\$ 20,129</u>	<u>\$ 11,241</u>

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2019, for the primary government is as follows:

Governmental Activities:	Balance June 30, 2018	Increases	Reclassifications/ Decreases	Balance June 30, 2019
Capital assets, not being depreciated				
Land	\$ 68,280	\$ -	\$ -	\$ 68,280
Capital assets, being depreciated				
Buildings & improvements	272,925	-	-	272,925
Improvements other than buildings	95,225	-	-	95,225
Vehicles	95,108	12,000	-	107,108
Equipment - office and other	70,122	-	-	70,122
Playground & ball equipment	39,218	-	-	39,218
Total capital assets, being depreciated	<u>572,598</u>	<u>12,000</u>	<u>-</u>	<u>584,598</u>
Less accumulated depreciation for				
Buildings & improvements	88,454	5,762	-	94,216
Improvements other than buildings	44,644	3,976	-	48,620
Vehicles	37,126	17,248	-	54,374
Equipment - office and other	29,309	3,867	-	33,176
Playground & ball equipment	23,276	1,553	-	24,829
Total accumulated depreciation	<u>222,809</u>	<u>32,406</u>	<u>-</u>	<u>255,215</u>
Total capital assets being depreciated net	<u>349,789</u>	<u>(20,406)</u>	<u>-</u>	<u>329,383</u>
Total capital assets, net	<u>\$ 418,069</u>	<u>\$ (20,406)</u>	<u>\$ -</u>	<u>\$ 397,663</u>

Business type Activity:	Balance June 30, 2018	Increases	Reclassifications/ Decreases	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 9,000	\$ -	\$ -	\$ 9,000
Capital assets being depreciated				
Sewer system	2,089,696	-	-	2,089,696
Equipment	30,000	-	-	30,000
Vehicles	38,135	-	-	38,135
Total capital assets being depreciated	<u>2,157,831</u>	<u>-</u>	<u>-</u>	<u>2,157,831</u>
Less accumulated depreciation for				
Sewer system	1,381,500	65,525	-	1,447,025
Equipment	30,259	-	-	30,259
Vehicles	9,207	5,838	-	15,045
Total accumulated depreciation	<u>1,420,966</u>	<u>71,363</u>	<u>-</u>	<u>1,492,329</u>
Total capital assets being depreciated net	<u>736,865</u>	<u>(71,363)</u>	<u>-</u>	<u>665,502</u>
Total capital assets, net	<u>\$ 745,865</u>	<u>\$ (71,363)</u>	<u>\$ -</u>	<u>\$ 674,502</u>

Depreciation expense of \$32,406 for the year ended June 30, 2019, was charged to the following governmental functions:

General government	\$ 5,428
Public safety	18,105
Streets	3,423
Parks and recreation	5,450
	<u>\$ 32,406</u>

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

6. PER DIEM/REIMBURSEMENTS TO MAYOR AND BOARD OF ALDERMEN

The following is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the aldermen is included in the general government expenditures of the general fund. Per Diem and reimbursements paid to the Board of Aldermen for the year ended June 30, 2019, are as follows:

	Per Diem	Expense Reimbursements	Total
Aldermen:			
Michael Corley	\$ 1,225	768	1,993
Melanie Dean	1,225	-	1,225
David Neal	1,225	-	1,225
Madison Tyler	1,200		1,200
Gary Warford	1,225		1,225
Total	\$ 6,100	\$ 768	\$ 6,868

The current elected official's terms expire December 31, 2020.

7. LONG-TERM DEBT

The following is a summary of the long-term debt obligation transactions for the year ended June 30, 2019:

Long-term obligations at June 30, 2018	\$ 298,019
Additions	-
Deductions	(15,286)
Total due	282,733
Less current due	(16,028)
Long-term obligations at June 30, 2019	\$ 266,705

Sewer revenue bond payable at June 30, 2019, is comprised of the following issue:

Bond	Original Issue	Interest Rate	Final Payment due	Interest to Maturity	Principal Outstanding	Funding Source
2001 Sewer Revenue Bonds	\$516,000	4.750%	2032	\$ 97,158	\$ 282,733	Sewer Revenue

The total annual requirements to amortize all debt outstanding as of June 30, 2019, including interest payments are as follows:

Year ended June 30,	Principal	Interest	Total
2020	\$ 16,028	\$ 13,084	\$ 29,112
2021	16,806	12,306	29,112
2022	17,622	11,490	29,112
2023	18,478	10,634	29,112
2024	19,375	9,737	29,112
2025-2029	111,930	33,630	145,560
2030-2032	82,494	6,277	88,771
	\$ 282,733	\$ 97,158	\$ 379,891

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

8. RESTRICTED ASSETS

Under the terms of the Sewer Revenue Bonds, revenues derived or to be derived from the operation of the sewer system, after paying the reasonable and necessary expenses of operating and maintaining the sewer system, are to be dedicated and pledged for the sinking, reserve and contingency funds scheduled payments as follows:

Sinking Fund. Commencing with the month following completion of and acceptance of the sewer improvements financed with the proceeds of the sewer revenue bonds, a sum of \$2,043 must be deposited on or before the 20th day of each month into the Sewer Revenue Bond and Interest Sinking Fund from August 20, 2001, through July 20, 2032, to provide amounts sufficient to pay promptly and fully the principal of and interest on the bonds.

Reserve Fund. Commencing with the month following completion of and acceptance of the sewer improvements financed with the proceeds of the sewer revenue bonds, a sum of \$103 per month must be deposited into the Reserve Fund from August 20, 2000, through July 20, 2001. A sum of \$122 per month must be deposited into the Reserve Fund from August 20, 2001, through July 20, 2032, until \$29,102 has been accumulated therein. At June 30, 2019, there is \$30,224 in that account.

Contingency Fund. Commencing with the month following completion of and acceptance of the sewer improvements financed with the proceeds of the sewer revenue bonds, a sum of \$103 per month must be deposited into the Contingency Fund from August 20, 2001, through July 20, 2032, which sum shall increase to \$243 per month once \$29,102 has been accumulated in the Reserve Fund. At June 30, 2019, there is \$27,790 in that account.

Restricted assets for debt service consist of the following at June 30, 2019:

Bond and interest sinking fund	\$	34,882
Revenue bond reserve fund		26,915
Revenue bond contingency fund		26,787
	\$	<u>88,584</u>

9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA

Plan description

All full-time police department employees engaged in law enforcement and empowered to make arrests, are required to participate in the Municipal Police Employees' Retirement System providing he or she does not pay social security and providing he or she meets the statutory criteria. The System is the administrator of a cost-sharing multiple-employer plan that provides retirement benefits for municipal police officers.

The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized with Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (continued)

Plan description (continued)

Benefit rates are 3.33 percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are 3 percent and 2.50 percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (continued)

Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

Initial Benefit Option Plan

In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

Employer Contributions

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2018, total contributions due from employers and employees was 40.75 percent of annual covered payroll. The Town of Sarepta, Louisiana's contributions to the System, for the years ending June 30, 2019, 2018, and 2017 are \$0, \$0, and \$4,762, respectively.

Non-employer Contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions during the measurement period of \$1,993 are recognized as revenue and are excluded from pension expense.

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

At June 30, 2019, the Town reported a liability of \$0 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town'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 participating employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.0000%, which was a decrease of 0.005024% from its proportion measured as of June 30, 2017.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (continued)

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

For the year ended June 30, 2019, the Town recognized pension benefit of \$38,612 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At June 30, 2019, 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
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	53,417
Differences between employer and proportionate share of contributions	-	1,027
Total	\$ -	\$ 54,444

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

Year ended June 30:	
2019	\$ (31,217)
2020	(11,755)
2021	(10,203)
2022	(1,269)

Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of the System's employers as of June 30, 2018, are as follows:

Total Pension Liability	\$ -
Plan Fiduciary Net Position	-
Total Net Pension Liability	\$ -

The actuarial assumptions used in the June 30, 2018, valuation were based on the assumptions used in the June 30, 2018, actuarial funding valuation, and were based on the results of any actuarial experience study for the period July 1, 2009—June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (continued)

Actuarial Methods and Assumptions (continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018, are as follows:

Valuation Date	June 30, 2018	
Actuarial Cost Method	Entry Age Normal Cost	
Investment Rate of Return	7.20%, net of investment expense	
Expected Remaining Service Lives	4 years	
Inflation Rate	2.600%	
Salary increases, including inflation and merit	Years of Service	Salary Growth Rate
	1-2	9.75%
	3-23	4.75%
	over 23	4.25%
Mortality	<p>RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.</p> <p>RP-2000 Disables Lives Table set back 5 yers for males and set back 3 years for females for disabled annuitants.</p> <p>RP-2000 Employee Table set back 4 years for males and 3 years for females for active members</p>	
Cost-of-living Adjustments	<p>The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.</p>	

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (continued)

Actuarial Methods and Assumptions (continued)

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2018, are summarized in the following table:

Asset Class	June 30, 2018	
	Target Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	52%	3.58%
Fixed Income	22%	0.46%
Alternatives	20%	1.07%
Other	6%	0.17%
Totals	100%	5.28%
Inflation		2.75%
Expected Nominal Return		8.03%

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. 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 payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.20%, 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 (6.20%) or one percentage point higher (8.20%) than the current rate as of June 30, 2018:

	Changes in Discount Rate		
	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
Net Pension Liability	\$ -	\$ -	\$ -

Changes in Net Pension Liability

The changes in the net pension liability for the year ended June 30, 2019, were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (SYSTEM) (continued)

Differences between Projected and Actual Investment Earnings:

Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

Changes of Assumptions or Other Inputs:

Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Change in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan.

Contributions—Proportionate Share

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

Retirement System Audit Report

Municipal Police Employees Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2016. Access to the audit report can be found on the Office of Louisiana Legislative Auditor's official website: www.la.state.la.us.

Estimates

The process of preparing the schedule of employer allocations and schedule of pension amounts in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Accordingly, actual results may differ from estimated amounts.

10. COMMITMENTS AND CONTINGENCIES

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

11. RELATED PARTY TRANSACTIONS

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended June 30, 2019.

TOWN OF SAREPTA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

12. ON-BEHALF PAYMENTS

One employee received a total of \$11,583 in police supplemental pay from the State of Louisiana. The Town is responsible for withholding taxes from these employees and paying the Town's matching portion of social security taxes for the amount of supplemental pay received. The Town must recognize this supplemental pay received by the employees as revenues and expenses. The revenue is reported in the general fund under intergovernmental revenues and the expenditure is reported in public safety expenditures.

14. SUBSEQUENT EVENT

Management has performed an evaluation of the Town of Sarepta's activities through December 18, 2019, and has concluded that there are no significant events requiring recognition or disclosure through the date and time these financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

TOWN OF SAREPTA, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive(Negative)
	Original	Final		
Revenues:				
Taxes				
Ad valorem taxes	\$ 131,000	\$ 131,000	\$ 126,472	\$ (4,528)
Sales taxes	80,300	80,300	87,095	6,795
Franchise taxes	52,000	52,000	71,727	19,727
Licenses and permits	5,750	5,750	5,768	18
Fines and forfeitures	80,270	80,270	100,585	20,315
Intergovernment				
State: One-behalf payments	11,833	11,833	11,583	(250)
Local: Webster Parish Police Jury	-	-	-	-
Parks and recreation	19,730	19,730	18,218	(1,512)
Contributions	5,500	5,500	6,501	1,001
Sale of property	-	-	-	-
Interest	-	-	1,549	1,549
Other	7,130	7,130	6,714	(416)
Transfers in	-	-	-	-
	<u>393,513</u>	<u>393,513</u>	<u>436,212</u>	<u>42,699</u>
Total Revenues				
Expenditures:				
Current				
General government	362,940	366,440	187,276	179,164
Public Safety: Police	22,200	28,800	163,928	(135,128)
Public Works: Streets and right of ways	26,500	26,500	45,448	(18,948)
Parks and recreation	22,035	31,540	23,587	7,953
Capital outlays	-	-	12,000	(12,000)
Transfers out	-	-	22,432	(22,432)
	<u>433,675</u>	<u>453,280</u>	<u>454,671</u>	<u>(1,391)</u>
Total Expenditures				
Net change in Fund Balance	<u>(40,162)</u>	<u>(59,767)</u>	<u>(18,459)</u>	<u>41,308</u>
Fund balance, beginning of year	428,161	428,161	428,161	-
Fund balance, end of year	<u>\$ 387,999</u>	<u>\$ 368,394</u>	<u>\$ 409,702</u>	<u>\$ 41,308</u>

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

TOWN OF SAREPTA, LOUISIANA

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

For the year ended June 30, 2019

Municipal Police Employee's Retirement System:

Fiscal 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-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.00000%	\$ -	\$ -	n/a	71.89%
2018	0.50240%	\$ 43,862	\$ -	n/a	70.08%
2017	0.01071%	\$ 100,383	\$ 15,000	669.22%	66.00%
2016	0.01210%	\$ 94,799	\$ 32,000	296.25%	70.73%
2015	0.02172%	\$ 135,857	\$ 32,367	419.74%	75.10%

*The amounts presented have a measurement date of the previous fiscal year end.

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

TOWN OF SAREPTA, LOUISIANA
SCHEDULE OF PENSION CONTRIBUTIONS
For the year ended June 30, 2019

Municipal Police Employee's Retirement System:

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2019	\$ -	\$ -	\$ -	-	n/a
2018	\$ -	\$ -	\$ -	-	n/a
2017	\$ 4,762	\$ 4,762	\$ -	15,000	31.75%
2016	\$ 8,850	\$ 8,850	\$ -	30,000	29.50%
2015	\$ 10,196	\$ 10,196	\$ -	32,367	31.50%

*The amounts presented have a measurement date of the previous fiscal year end.

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

TOWN OF SAREPTA, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

As of and for the year ended June 30, 2019

Budgetary Information

The Town of Sarepta, Louisiana's budget is prepared in accordance with accounting principles generally accepted in the United States of America.

The Mayor and Town Clerk prepare a proposed budget and submit the same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The proposed budget is reviewed by the board of aldermen and made available to the public. At least ten days after publication of the call for a public hearing, the Town holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the Board of Aldermen as a whole. The budget is then adopted through the passage of an ordinance during the June meeting.

The budget is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditures. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions.

Through the budget, the town allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the Town's economic resources. It establishes the foundation of effective financial planning by providing resource planning, performance measures, and controls that permit the evaluation and adjustment of the Town's performance.

The Louisiana Local Government Budget Act provides that "the total proposed expenditures shall not exceed the total of estimated funds available for the ensuing year." The "total estimated funds available" is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year. Actual revenues were less than budgeted revenues by less than 1%. Actual expenditures were less than budgeted expenditures. The Town is in compliance with the Louisiana Local Government Budget Act.

Expenditures may not legally exceed appropriations at the fund level. Appropriations that are not expended lapse at year-end. The budget comparison schedule presents the original adopted budget and the final amended budget. The budget for the fiscal year ended June 30, 2019, was adopted on June 12, 2018, and amended on November 13, 2018, March 1, 2019 and July 9, 2019.

Pension Information

The schedule of the Town of Sarepta's proportionate share of the net pension liability and the schedule of the Town of Sarepta's pension contributions are intended to show information for 10 years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF SAREPTA, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

For the year ended June 30, 2019

Agency Head Name: Peggy Adkins, Mayor

Purpose	Amount
Salary	12,625
Benefits-insurance (Medicare)	183
Benefits-retirement (Social Security)	783
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	707
Dues	-
Reimbursements	-
Travel	68
Registration fees	375
Conference travel	906
Continuing professional education fees	-
Housing	-
Other	-
Special meals	-
Total	\$ 15,647

See independent auditor's report

Town of Sarepta, Louisiana
SCHEDULE OF INSURANCE
June 30, 2019

Coverage	Inception Date	Expiration Date	Limits of Liability	Deductible Amount
<u>Business Automobile Combined Limit</u>	7/15/2018	7/15/2019	\$ 1,000,000 Per Accident	ACV
<u>General/Professional Liability</u>	7/15/2018	7/15/2019		
Personal Injury and Advertising Injury			\$ 1,000,000 Per Occurrence	\$ 0 per occurrence
General Aggregate			\$ 1,000,000 Aggregate per Coverage	
Products--Completed Operations			\$ 1,000,000 Aggregate	
Damage To Premises Rented to You			\$ 50,000 Any One Premises	
Medical Expense			excluded Per Accident	
<u>Public Officials & Management Liability</u>	7/15/2018	7/15/2019		
Aggregate Limit			\$ 3,000,000	\$ -
Wrongful Acts/Employee Practices/Employee Benefit Plans			\$ 1,000,000 Per Occurrence	\$ 1,000
<u>Law Enforcement Liability</u>	7/15/2018	7/15/2019		
Aggregate Limit			\$ 1,000,000 Per Loss	
Each Wrongful Act			\$ 1,000,000 Per Occurrence	\$ 5,000
<u>Property and Contents</u>	7/15/2018	7/15/2019		
Commerical Equipment			\$ 50,000 Per schedule	\$ 1,000
Real Property			\$ 775,808 Buildings	
Borrowed, Rented, or Leased			as per scheduled property value	\$ 1,000
<u>Workmen's Compensation</u>	7/15/2018	7/15/2019	\$ 100,000 Each accident	
			\$ 500,000 Disease policy limit	
			\$ 100,000 Disease each employee	

These insurance policies were renewed for the following year on July 15, 2019.

See independent auditor's report

Town of Sarepta, Louisiana
SCHEDULE OF SEWER RATES
June 30, 2019

	<u>Usage</u>	<u>Flat Fee</u>
Residential:	Not applicable	\$ 35.00 per month
Commercial:	Not applicable	\$ 60.00 per month

See independent auditor's report

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING
STANDARDS* and the *LOUISIANA GOVERNMENTAL AUDIT GUIDE*



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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*

The Honorable Peggy Adkins
And the Members of the Town Council of
Town of Sarepta, Louisiana

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and general fund of the Town of Sarepta, Louisiana as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Sarepta, Louisiana's basic financial statements and have issued our report thereon dated December 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Sarepta, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Sarepta, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Sarepta, Louisiana'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, which we consider to be material weaknesses: 2019-01, 2019-02, and 2019-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sarepta, Louisiana's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required

to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses: 2019-04 and 2019-05.

Town of Sarepta, Louisiana's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of any 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. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 21:513 this report is a public document.

Dees Gardner, Certified Public Accountants, LLC

Mansfield, Louisiana
December 18, 2019

AUDIT FINDINGS

TOWN OF SAREPTA, LOUISIANA
Schedule of Findings and Responses
For the Year ended June 30, 2019

SUMMARY OF AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT:

We have audited the basic financial statements of Town of Sarepta, Louisiana as of and for the year ended June 30, 2019, and have issued our report thereon dated December 18, 2019, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the basic financial statements as of June 30, 2019, resulted in an unmodified opinion.

REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL AND OTHER MATTERS TO THE FINANCIAL STATEMENTS:

Internal Control

Significant Deficiency	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Material Weakness	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Compliance

Compliance Material to Financial Statements	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Other Matters	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

FEDERAL AWARDS

Not applicable

MANAGEMENT LETTER

None.

Part II. Findings relating to the Financial Statements which are required to be reported under *Government Auditing Standards*.

FINDINGS RELATED TO INTERNAL CONTROL

2019-01. Inadequate design of internal control over financial statement preparation.

Criteria: In the past, auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 112 expands management's responsibility to ensure the propriety and completeness of the financial statements and related footnotes.

Effect: The Town's management may not identify material misstatements in the financial statements.

Finding: The Town of Sarepta, Louisiana's staff responsible for preparation of the financial statements and related footnote disclosure in accordance with generally accepted accounting principles (GAAP) lacks the resources and/or knowledge necessary to internally complete the reporting requirements.

Recommendation: The Town should either: 1) obtain the resources and/or knowledge necessary to internally prepare or review the auditor's preparation of the financial statements and related footnote disclosures in

accordance with GAAP, or 2) determine if the cost of 1) overrides the benefit of correcting this control deficiency.

2019-02. Inadequate segregation of duties over the reconciliation of the sewer fund software to the accounting software.

Criteria: Good internal control necessitates that different personnel be assigned to authorize transactions, record transactions, and maintain custody of assets.

Effect: Potentially, those in charge of governance would not be able to prevent, detect, or correct errors or fraud in a timely manner.

Finding: The Town Clerk is responsible for reconciling and posting the sewer system billings and receivables into the general ledger each month. The sewer billings and receivables were not posted to the general ledger for the months April through June 2019. This led to an understatement of both accounts receivable and revenues in the sewer fund's accounting system general ledger. The Clerk was preparing monthly financial statements for the council and mayor in an excel spreadsheet outside of the accounting software. The externally generated financial statements, with budget comparisons, included the most current sewer system data, therefore the omitted postings in the general ledger went undetected.

Recommendation: The duties should be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes: 1) separating transaction authorization from custody of related assets; 2) separating posting, collections, and depositing of collections; 3) separating initializing transactions from general ledger posting and maintenance; 4) separating monitoring responsibility from record-keeping. We recommended close review of the sewer fund reports, the sewer fund general ledger and reconciliations between the two systems. This monitoring and separation of duties used consistently can help to detect errors, omissions, and/or inappropriate actions.

2019-03. Inadequate internal controls over collections and deposits with possible fraud.

Criteria: Good internal control necessitates that different personnel be assigned to authorize transactions, record transactions, and maintain custody of assets.

Effect: Potentially, those in charge of governance would not be able to prevent, detect, or correct errors or fraud in a timely manner.

Finding: The Town employees share cash drawers. During examination of collections, there were instances of deposits made for less than the amounts shown on the supporting documentation. One of the employees who takes payments is the Town Clerk, who also is responsible for reconciling the sewer fund system to the accounting system, preparing deposits, posting deposits, and reconciling the bank accounts.

Recommendation: The duties should be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes: 1) separating transaction authorization from custody of related assets; 2) separating posting, collections, and depositing of collections; 3) separating initializing transactions from general ledger posting and maintenance; 4) separating monitoring responsibility from record-keeping. We recommended separate cash drawers for employees collecting payments, cash drawer counts at the end of the day that includes at least two employees, and when possible, segregating the duties of collecting, preparing, posting, and reconciling deposits.

FINDINGS RELATED TO COMPLIANCE

2019-04. Bond covenant violation.

Criteria: The Town issued Sewer Revenue Bonds in 2001 through the USDA to construct, acquire, extend, improve, operate, and maintain the Town's sewage system. The resolution authorizing the issuance of these bonds provided for a sinking fund per La. R.S. 39:835 into which a sum of \$2,043 must be deposited on or before the 20th day of each month from August 20, 2001 through July 20, 2032, to provide amounts sufficient to pay promptly and fully the principal and interest of the bonds. The Town is also obligated to deposit into each the reserve fund and the contingency fund an amount of \$122 monthly.

Effect: Not making timely deposits of sinking fund payments is a violation of the Town's bond agreement.

Finding: The Town only made seven of the required twelve sinking fund payments for the year. The Town attempted to make an eighth payment, however it was erroneously deposited in the Town's Bond Reserve Fund. In addition to the erroneous deposit to the reserve fund, only eight of the twelve required payments of \$122 were made. The contingency fund only had seven of the required twelve payments of \$122.

Recommendation: The Town should establish oversight in internal controls that ensure sinking fund payments, as well as those dedicated and pledged to the reserve and contingency fund, are made properly and timely.

2019-05. Public bid law violation.

Criteria: Public bid laws ensure that the a public entity receives the best possible price when using public funds when procuring materials and supplies or public works. Local political subdivisions are required to use the Public Bid Law (La. R.S. 38:2212) for the procurement of materials and supplies if the cost is over the contract limit of \$30,000, unless an exception exists. The Attorney General has opined (AG Op. No. 02-0122) that the purchase of materials and supplies must be aggregated and publicly bid if the total amount of the purchase exceeds the \$30,000.

Effect: The Town may not acquire assets at the best price available.

Finding: The Town purchased three aerators simultaneously for the sewer system at a price of \$44,817. The purchase was not put out for public bids.

Recommendation: The Town should familiarize themselves with the details of the Public Bid Laws and all attorney general opinions referencing the law to ensure the correct processes are being followed when making purchased for material and supplies over \$30,000 and public works over \$157,700.

Mayor
Peggy Adkins

Aldermen
Heath Warford
Claire Tyler
Michael A. Corley
Melanie Dean
David Neal

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Police Chief
Mike McCullen

Clerk
Charlie Livingston

Management's Responses to the Audit Findings

2019-01. Inadequate design of internal control over financial statement preparation.

Management's response: The Town no longer contracts with an outside accounting firm to prepare for the annual audit. The Town determined the cost did not override the benefit of correcting this control deficiency at this time, but are pursuing a resolution to the problem at this time.

2019-02. Inadequate segregation of duties over the reconciliation of the sewer fund software to the accounting software.

Management's response: The Mayor will begin reviewing the monthly sewer fund reports and sewer fund general ledgers to ensure the balances between the two reconcile.

2019-03. Inadequate internal controls over collections and deposits with possible fraud.

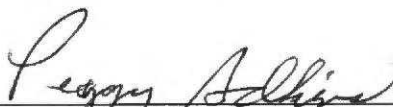
Management's response: The Mayor will begin reviewing internal control processes immediately to determine a proper segregation of duties among the limited staff to prevent the loss of assets due to potential errors, abuse, fraud, or misappropriations.

2019-04. Bond covenant violation.

Management's response: The Town will set up processes and oversight to ensure all revenue bond obligations are being met.

2019-05. Public bid law violation.

Management's response: The Town will be more cognizant of following the Public Bid Laws when making purchases for materials and supplies over \$30,000 and entering contracts for public works projects over \$157,700.



Peggy Adkins, Mayor
December 18, 2019

TOWN OF SAREPTA, LOUISIANA
Summary Schedule of Prior Year Findings
For the year ended June 30, 2019

2018-01. Inadequate design of internal control over financial statement preparation. Unresolved. See 2019-01.

OTHER REPORT



Dees Gardner, Certified Public Accountants, LLC

Deborah D. Dees, CPA/CFF

Maura Dees Gardner, CPA, CFE

122 Jefferson Street

Mansfield, Louisiana 71052

Independent Accountant's Report On Applying Agreed-Upon Procedures

To the Honorable Peggy Adkins, Mayor
and the Members of the Board of Aldermen
Town of Sarepta, Louisiana, and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Sarepta (the Town) 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, 2018 through June 30, 2019. The Town's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

Written policies and procedures were obtained and were found to generically address the budget preparation and adoption process but not monitoring or amending.

- 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.

Written policies and procedures were obtained and were not found to address the functions noted above.

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

Written policies and procedures were obtained and were found to address the functions noted above.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

Written policies and procedures were obtained and were found to address procedures for a specific collection item but not a procedure(s) that cover other collections items.

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

Written policies and procedures were obtained and were not found to address reviewing and approval of time and attendance records including overtime. Policy does note that paid leave is to be approved in advance by the Mayor or Chief of Police.

- 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.

Written policies and procedures were obtained and were not found to address the functions noted above.

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Written policies and procedures were obtained and were not found to address the functions noted above.

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

Written policies and procedures were obtained and were found to generically address the functions noted above but the policy lacks sufficient detail.

- 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.

Written policies and procedures were obtained and were not found to address the functions noted above.

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

Written policies and procedures were obtained and were not found to address the functions noted above.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Written policies and procedures were obtained and were not found to address the functions noted above.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

A listing of client bank accounts from management and management's representation that the listing is complete were obtained. The main operating account and 4 additional accounts were selected for review.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exceptions noted as a result of this procedure.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Review present on all statements but documentation of review did not include a date.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Items outstanding over 12 months observed in multiple accounts that have not been researched.

Collections (excluding EFTs)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposits sites and management's representation that the listing is complete were obtained. The only site of the entity selected for review.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

The entity does have separate drawers but it was observed that due to employee turn over and the part-time status of certain employees, drawers are regularly shared.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

An employee responsible for collecting cash is also responsible for preparing and posting deposits. It has been observed that entity control processes are not routinely followed for all collection types that would allow for reconciling all collection documentation. For most collections, sufficient documentation is generated that would allow for reconciling documentation to the deposit slip. This documentation, however, is not compiled and assembled with the deposit slip to be approved by another employee/official.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

One employee that can be responsible for collecting cash is also responsible for preparing and posting deposits. It has been observed that entity control processes are not routinely followed for all collection types that would allow for reconciling all collection documentation. For most collections, sufficient documentation is generated that would allow for reconciling documentation to the deposit slip. This documentation, however, is not compiled and assembled with the deposit slip to be approved by another employee/official. Given this information, any reconciliation of general ledger postings to deposits by another employee/official are based on deposit slip notations by the employee who posts and prepares the deposit and sometimes makes collections.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

One employee that can be responsible for collecting cash is also responsible for preparing and posting deposits. It has been observed that entity control processes are not routinely followed for all collection types that would allow for reconciling all collection documentation. For most collections, sufficient documentation is generated that would allow for reconciling documentation to the deposit slip. This documentation, however, is not compiled and assembled with the deposit slip to be approved by another employee/official. Given this information, any reconciliation of general ledger postings to

deposits by another employee/official are based on deposit slip notations by the employee who posts and prepares the deposit and sometimes makes collections.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions noted as a result of this procedure.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

A more extensive review of collections made that required. A month of collection items reviewed.

- a) Observe that receipts are sequentially pre-numbered.

Sequentially pre-numbered receipts or their electronic equivalent are not consistently reviewed.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

In two cases, documentation of a collection made was observed but no documentation found of a deposit of said collection.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted as a result of this procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

The entity does not make daily deposits.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted as a result of this procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

A listing of payment processing locations and management's representation that the listing is complete were obtained. The only location of the entity selected for review.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

A listing of employees involved with non-payroll purchasing and payment functions and management's representation that the listing is complete were obtained.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Observed practices and documentation reviewed show that purchasing is not centralized and the entity does not utilize any purchase order or request system. Multiple employees regularly initiate and place/make purchases without specific approval. It should be noted that all disbursements for purchases are ultimately approved as noted under 9(b) and the council was observed to approve major purchases.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions were noted as a result of this procedure. However, it does not appear that approval of payments includes a thorough review. Additionally, check signatories do not appear to thoroughly review approved invoices before signing.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The employee responsible for processing payments is not prohibited from adding/modifying vendor files and no review of changes is made.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted as a result of this procedure.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Several invoices could not be located. Records were disorganized, in part, because of a subsequently terminated employee.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Of invoices that were located, no exceptions were noted. See note under section 9(b).

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

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 and management's representation that the listing was complete was obtained.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

No exceptions noted as a result of this procedure.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Finance charges and late fees were not observed in the randomly selected statements but were noted in other statement that happened to be reviewed.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

One receipt was missing for one of the statements reviewed. Additionally, it should be noted Credit cards appear to be a primary means of making purchases for the entity and good controls are not present that require separation of duties in the purchase initiation and the approval process.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement

forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

A listing of all travel and travel-related expense reimbursements and management's representation that the listing is complete were obtained. 5 reimbursements randomly selected.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted as a result of this procedure.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted as a result of this procedure.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted as a result of this procedure.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted as a result of this procedure.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

A listing of agreements/contracts and management's representation that the listing is complete were obtained. Five contracts were selected for review.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

One contract for equipment reviewed exceeded the threshold for advertising for bid. One contract reviewed was for an amount requiring the solicitation of 3 quotes. No quotes or bids obtained for noted contracts. The entity noted that the item not advertised for bid, is only available in the State via the subject vendor. The entity notes that the other item requiring quotes, is a product that has to be used in the machines owned by the Town and is only available via the subject vendor.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions were noted as a result of this procedure.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions were noted as a result of this procedure.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions were noted as a result of this procedure.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained listing of employees/elected officials with their related salaries and management's representation that the listing was complete. 5 employees were randomly selected.

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

No exceptions were noted as a result of this procedure.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

No approvals of attendance or leave noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions were noted as a result of this procedure.

- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No exceptions were noted as a result of this procedure.

19. Obtain management’s representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers’ compensation premiums have been paid, and associated forms have been filed, by required deadlines.

No exceptions were noted as a result of this procedure.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions were noted as a result of this procedure.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

The entity does not have an ethics policy.

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

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

Dees Gardner, Certified Public Accountants, LLC

Mansfield, LA
December 18, 2019

Mayor
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Heath Warford
Claire Tyler
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Mike McCullen

Clerk
Charlie Livingston

Responses to Independent Accountant's Report of Applying Agreed Upon Procedures

Written Policies and Procedures

Management Response: We will work towards adopting policies and procedures sufficient to address the noted categories: monitoring and amending the budget, purchasing, collections, payroll/personnel, contracting, credit cards, travel, ethics, debt service, and disaster recovery.

Bank Reconciliations

Management Response: The Mayor will research outstanding items noted and begin dating review of bank reconciliations.

Collections (excluding EFTs)

Management Response: Town management will evaluate the current collections process and devise and implement internal controls for segregation of duties and oversight for collecting, posting, and depositing collections amongst the Town's limited staff.

Non-Payroll Disbursements

Management Response: Town management will be working towards adopting appropriate Policies and Procedures for Purchasing and Disbursements. Procedures that will ensure proper segregation of duties will be developed keeping in mind the size and limited personnel of the Town.

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

Management Response: Town management will be working towards adopting appropriate Policies and Procedures for Credit Cards and Purchasing to ensure better controls over card usage.

Contracts

Management Response: Town management will be working towards adopting appropriate Policies and Procedures for Contracts and will ensure that all contracts are made in accordance with Louisiana Public Bid Law.

Payroll and Personnel

Management Response: The Mayor and Police Chief will begin documenting approval on attendance and leave records.

Ethics

Management Response: Town management will be working towards adopting an ethics policy which will include a requirement for all employees to complete one hour of ethics training annually.



Peggy Adkins, Mayor

December 18, 2019