

**TOWN OF HOMER
HOMER, LOUISIANA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

**TOWN OF HOMER
HOMER, LOUISIANA**

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INDEPENDENT AUDITOR'S REPORT

**To the Honorable Roy Lewis, Mayor,
and Members of the Board of Selectmen
Town of Homer, Louisiana**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Homer, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Homer'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*. Those standards and the guide 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, each major fund, and the aggregate remaining fund information of the Town of Homer, Louisiana, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-7), budgetary comparison information (pages 46-49), the schedule of employer's proportionate share of net pension liability (page 50), and the schedule of employer's contributions (page 51) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Homer's basic financial statements. The combining nonmajor fund financial statements; the schedule of compensation to the Mayor and Board of Selectmen; and the schedule of compensation, benefits, reimbursements and other payments to Agency Head; are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Town of Homer
Independent Auditor's Report
December 31, 2017

The combining fund financial statements; the schedule of compensation to the Mayor and Board of Selectmen; and the schedule of compensation, benefits, reimbursements, and other payments to or on Behalf of Agency Head; and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements; the schedule of compensation to the Mayor and Board of Selectmen; and the schedule of compensation, benefits, reimbursements and other payments to Agency Head; are fairly stated in all material respects in relation to the basic 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 June 29, 2018, on our consideration of the Town of Homer, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Homer, Louisiana's internal control over financial reporting and compliance.

BOSCH & STATHAM, LLC



Ruston, Louisiana
June 29, 2018

TOWN OF HOMER, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended December 31, 2017

Our discussion and analysis of the Town of Homer, Louisiana (the Town) provides an overview of the Town's activities for the year ended December 31, 2017. Please read it in conjunction with the Town's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole.

Reporting the Town as a Whole The Statement of Net Position and the Statement of Activities

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Town's net position and changes in net position. The Town's net position (i.e., the difference between assets and liabilities) is a measure of the Town's financial position. The increases or decreases in the Town's net position are an indicator of whether its financial position is improving or deteriorating.

THE TOWN AS A WHOLE

At December 31, 2017, net position was as follows:

	NET POSITION			
	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Current and other assets	\$ 982,078	\$ 762,328	\$ 1,030,571	972,993
Capital assets, net	3,844,064	4,037,047	9,089,585	7,799,612
Total assets	4,826,142	4,799,375	10,120,156	8,772,605
Deferred outflows:				
Pension related	503,130	452,902	-	-
Liabilities:				
Current	88,633	141,643	455,249	228,577
Long-term	1,344,001	1,158,859	4,370,753	4,009,874
Total liabilities	1,432,634	1,300,502	4,826,002	4,238,451
Deferred inflows:				
Pension related	55,958	125,352	-	-
Net position:				
Net investment in capital assets	3,844,064	4,037,047	-	3,789,738
Restricted	-	-	-	394,618
Unrestricted	(3,384)	(210,624)	5,294,154	349,798
Total net position	\$ 3,840,680	\$ 3,826,423	\$ 5,294,154	\$ 4,534,154

TOWN OF HOMER, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended December 31, 2017

Net position of the Town's governmental activities decreased .19 percent during the year ended December 31, 2017. Net position decreased to a deficit of \$7,439. Revenues decreased \$829,568 while expenses increased \$168,408.

Net position of the business-type activities increased from \$4,534,154 to \$5,165,833.

For the year ended December 31, 2017, net position changed as follows:

CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Program revenues:				
Charges for services	\$ 177,658	\$ 137,823	\$ 1,213,451	\$ 1,158,555
Operating grants and contributions	104,093	1,240,989	-	-
Capital grants and contributions	-	16,500	582,127	196,816
General revenues:				
Property taxes	130,791	151,206	-	-
Sales and use taxes	1,229,842	1,138,237	350,010	308,740
Other taxes, licenses and permits	217,708	220,823	-	-
Other	443,820	206,207	21,774	18,529
Total revenues	<u>2,303,912</u>	<u>3,111,785</u>	<u>2,167,362</u>	<u>1,682,640</u>
Expenses:				
General government	595,600	474,342	-	-
Public safety	907,909	916,937	-	-
Highways and streets	351,526	374,842	-	-
Health and welfare	21,923	23,419	-	-
Culture and recreation	161,236	138,437	-	-
Economic development	251,462	193,271	-	-
Utilities	-	-	1,308,410	1,288,421
Interest expense	-	-	98,952	96,256
Total expenses	<u>2,289,656</u>	<u>2,121,248</u>	<u>1,407,362</u>	<u>1,384,677</u>
Change in net position	14,256	990,537	760,000	297,963
Net position at beginning of year	<u>3,826,424</u>	<u>2,835,886</u>	<u>4,534,154</u>	<u>4,236,191</u>
Net position at end of year	<u>\$ 3,840,680</u>	<u>\$ 3,826,423</u>	<u>\$ 5,294,154</u>	<u>\$ 4,534,154</u>

TOWN OF HOMER, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended December 31, 2017

As of December 31, 2017, the Town's Police Fund had a deficit balance of \$16,980. The General Fund has a fund balance of \$446,740 which is a 124 percent increase from prior year. During the year the Town recorded transfers of \$354,727.

The Street Fund balance increased \$72,214 or 204 percent. Fund balance at year end was \$107,641. Revenues increased while expenditures decreased. Transfers in were \$9,055 compared to \$194,363 in the prior year.

The fund balance of the Industrial Development Fund decreased by \$48,883 or 34 percent. The voters approved a rededication of the sales tax that was previously dedicated to industrial development.

Fund balance of the Police fund decreased to a deficit of \$16,980.

Fund balance of the Enterprise Fund increased by 14 percent. Operations resulted in a loss of \$223,280 after expenses of \$1,308,410. Grants and sales taxes made up the loss before transfers. The net change in position was \$631,679.

BUDGETARY HIGHLIGHTS

During the year, in the General Fund, there was a \$64,860 increase in anticipated revenues. The change in estimate was due to increases in taxes. Anticipated expenditures increased \$30,540 or 6 percent. Actual revenues and other sources exceeded budgeted amounts by \$5,917 or 1 percent. Actual expenditures and other uses exceeded budgeted amounts by \$20,264 or 4 percent primarily due to a negative budget balance in "Town Hall Renovations".

During the year in the Street Fund, anticipated revenues and expenditures decreased by .24 and 12 percent, respectively. Actual revenues and other sources and expenditures and other uses exceeded budgeted amounts by 1 and 1 percent, respectively.

In the Industrial Development Fund, budgeted revenues increased by \$10,570. Budgeted expenditures were increased by 32 percent. Actual amounts exceeded budget by 9 and 5 percent, respectively.

In the Police Fund, budgeted revenues decreased by 2 percent while budgeted expenditures, excluding capital outlay, increased only \$10,229 or 1 percent. Actual revenues and other sources decreased by 1 percent while actual expenditures and other uses decreased by 3 percent.

TOWN OF HOMER, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended December 31, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2017, the Town's investment in capital assets for its governmental and business-type activities amounts to \$12,933,649 (net of accumulated depreciation). This investment includes the water and sewer systems, buildings and improvements, vehicles, machinery, equipment, and land.

This year's additions of \$1,606,674 include projects funded by grants such as airport improvements, building improvements, a police vehicle, and water and sewer improvements as well as minor equipment purchases.

Debt

At year end, the Town had \$1,960,000 in bonds outstanding and \$2,410,753 in federal loans outstanding. See discussion of the terms in the notes to the financial statements.

At December 31, 2017, the Town's net pension liability at year end was \$1,344,001.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's revenues are derived mainly from a special sales and use tax, property tax assessments, and fees for services. The Town uses grant monies to make necessary repairs and upgrades to the town's water and sewer systems.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk at Town Hall. The financial statements of Homer Memorial Hospital are issued separately and may be obtained from the hospital's business office, the parish clerk of court, or the Louisiana Legislative Auditor at www.la.gov.

BASIC FINANCIAL STATEMENTS

**TOWN OF HOMER
HOMER, LOUISIANA**

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 805,715	\$ 451,784	\$ 1,257,499
Cash and cash equivalents - restricted	-	388,348	388,348
Receivables, net of allowance for uncollectibles	239,996	124,676	364,672
Internal balances	(65,763)	65,763	-
Capital assets not being depreciated	137,993	4,584,776	4,722,769
Capital assets, net of accumulated depreciation	3,706,071	4,504,809	8,210,880
Other assets	2,130	-	2,130
TOTAL ASSETS	4,826,142	10,120,156	14,946,298
DEFERRED OUTFLOWS			
Pension related	503,130	-	503,130
TOTAL DEFERRED OUTFLOWS	503,130	-	503,130
LIABILITIES			
Accounts payable	64,535	320,362	384,897
Payroll and related liabilities	22,748	-	22,748
Accrued liabilities	1,350	-	1,350
Accrued interest payable	-	8,149	8,149
Customer deposits payable	-	126,738	126,738
Noncurrent liabilities:			
Due within one year	-	214,000	214,000
Due in more than one year	-	4,156,753	4,156,753
Net pension liability	1,344,001	-	1,344,001
TOTAL LIABILITIES	1,432,634	4,826,002	6,258,636
DEFERRED INFLOWS			
Pension related	55,958	-	55,958
TOTAL DEFERRED INFLOWS	55,958	-	55,958
NET POSITION			
Net investment in capital assets	3,844,064	-	3,844,064
Unrestricted net position	(3,384)	5,294,154	5,290,770
TOTAL NET POSITION	\$ 3,840,680	\$ 5,294,154	\$ 9,134,834

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

FUNCTIONS/PROGRAMS	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	\$ 595,600	\$ 95,179	\$ -	\$ -	\$ (500,421)		\$ (500,421)
Public safety	907,909	81,579	63,000	-	(763,330)		(763,330)
Highways and streets	351,526	-	9,990	-	(341,536)		(341,536)
Health and welfare	21,923	900	-	-	(21,023)		(21,023)
Culture and recreation	161,236	-	-	-	(161,236)		(161,236)
Economic development	251,462	-	31,103	-	(220,359)		(220,359)
Total governmental activities	<u>2,289,656</u>	<u>177,658</u>	<u>104,093</u>	<u>-</u>	<u>(2,007,905)</u>		<u>(2,007,905)</u>
Business-type activities:							
Utility operations	1,308,410	1,213,451	-	582,127		\$ 487,168	487,168
Interest expense on water debt	98,952	-	-	-		(98,952)	(98,952)
Total business-type activities	<u>1,407,362</u>	<u>1,213,451</u>	<u>-</u>	<u>582,127</u>		<u>388,216</u>	388,216
Total primary government	<u>\$ 3,697,018</u>	<u>\$ 1,391,109</u>	<u>\$ 104,093</u>	<u>\$ 582,127</u>	<u>(2,007,905)</u>	<u>388,216</u>	<u>(1,619,689)</u>
General revenues:							
Property taxes					130,791	-	130,791
Sales and use taxes					1,229,842	350,010	1,579,852
Franchise taxes					118,730	-	118,730
Other taxes, penalties and interest					98,978	-	98,978
Unrestricted investment earnings					9,002	9,124	18,126
Gain (loss) on sale of capital assets					322,526	-	322,526
Other					112,292	12,650	124,942
Total general revenues and transfers					<u>2,022,161</u>	<u>371,784</u>	<u>2,393,945</u>
Change in net position					14,256	760,000	774,256
Net position at beginning of year					3,826,424	4,534,154	8,360,578
Net position at end of year					<u>\$ 3,840,680</u>	<u>\$ 5,294,154</u>	<u>\$ 9,134,834</u>

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

TOWN OF HOMER
HOMER, LOUISIANA

GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF DECEMBER 31, 2017

	General	Street	Industrial Development	Police	Nonmajor	Total
ASSETS						
Cash and cash equivalents	\$ 370,524	\$ 75,768	\$ 151,471	\$ 14,383	\$ 193,569	\$ 805,715
Receivables, net	135,259	33,454	600	38,799	31,884	239,996
Other assets	2,130	-	-	-	-	2,130
TOTAL ASSETS	<u>\$ 507,913</u>	<u>\$ 109,222</u>	<u>\$ 152,071</u>	<u>\$ 53,182</u>	<u>\$ 225,453</u>	<u>\$ 1,047,841</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,385	\$ 1,581	\$ 58,702	\$ 2,664	\$ 203	\$ 64,535
Payroll and related liabilities	22,748	-	-	-	-	22,748
Accrued liabilities	1,350	-	-	-	-	1,350
Unearned revenue	15,730	-	-	-	-	15,730
Due to other funds	-	-	-	65,763	-	65,763
Total liabilities	<u>41,213</u>	<u>1,581</u>	<u>58,702</u>	<u>68,427</u>	<u>203</u>	<u>170,126</u>
Fund balances:						
Restricted fund balances	267,292	107,641	93,369	-	225,250	693,552
Unassigned fund balances	199,408	-	-	(15,245)	-	184,163
Total fund balances	<u>466,700</u>	<u>107,641</u>	<u>93,369</u>	<u>(15,245)</u>	<u>225,250</u>	<u>877,715</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 507,913</u>	<u>\$ 109,222</u>	<u>\$ 152,071</u>	<u>\$ 53,182</u>	<u>\$ 225,453</u>	<u>\$ 1,047,841</u>

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

TOWN OF HOMER
HOMER, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

Total fund balances - governmental funds	\$ 877,715
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources	3,844,064
Unearned revenue from the fund financial statements recognized in the government-wide financial statements	15,730
Deferred items for pension related items are not reported in the fund statements:	
Deferred outflows	503,130
Deferred inflows	(55,958)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements:	
Net pension liability	<u>(1,344,001)</u>
Net position of governmental activities	<u>\$ 3,840,680</u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Street	Industrial Development	Police	Nonmajor	Total
Revenues:						
Taxes:						
Ad valorem	\$ 124,058	\$ -	\$ -	\$ -	\$ -	\$ 124,058
Sales and use	333,336	338,048	-	268,257	290,201	1,229,842
Franchise	118,730	-	-	-	-	118,730
Other taxes, penalties and interest	80,196	-	-	-	18,782	98,978
Licenses and permits	63,189	-	-	-	-	63,189
Intergovernmental:						
State funds:						
Fire insurance rebate	-	-	-	-	25,000	25,000
Supplemental pay	-	-	-	38,000	-	38,000
Other state funds	3,482	9,990	31,103	-	-	44,575
Charges for services	24,258	-	-	9,740	60	34,058
Fines	-	-	-	71,779	-	71,779
Lease income	4,250	-	900	-	-	5,150
Interest earned	4,188	470	1,975	193	2,176	9,002
Other revenues	80,675	1,060	(5,880)	1,667	8,215	85,737
Total revenues	<u>836,362</u>	<u>349,568</u>	<u>28,098</u>	<u>389,636</u>	<u>344,434</u>	<u>1,948,098</u>
Expenditures:						
Current:						
General government:						
Legislative	23,200	-	-	-	-	23,200
Finance and administrative	243,813	-	-	-	-	243,813
Other general government	222,310	-	-	-	-	222,310
Public safety:						
Lease/Rent	26,327	-	-	-	-	26,327
Police Department	-	-	-	756,993	-	756,993
Fire Department	-	-	-	-	94,927	94,927
Highways and streets	-	279,709	-	-	-	279,709
Health and welfare	15,223	6,700	-	-	-	21,923
Culture and recreation	12,026	-	-	-	138,910	150,936
Economic development	-	-	74,731	-	51,376	126,107
Capital outlay	-	-	2,250	25,457	30,645	58,352
Total expenditures	<u>542,899</u>	<u>286,409</u>	<u>76,981</u>	<u>782,450</u>	<u>315,858</u>	<u>2,004,597</u>
Excess (deficiency) of revenues over (under) expenditures	<u>293,463</u>	<u>63,159</u>	<u>(48,883)</u>	<u>(392,814)</u>	<u>28,576</u>	<u>(56,499)</u>
Other financing sources (uses):						
Operating transfers in	10,231	9,055	-	356,672	18,845	394,803
Operating transfers out	(354,727)	-	-	-	(40,076)	(394,803)
Sale of capital assets	318,326	-	-	-	4,200	322,526
Total other financing sources and uses	<u>(26,170)</u>	<u>9,055</u>	<u>-</u>	<u>356,672</u>	<u>(17,031)</u>	<u>322,526</u>
Net change in fund balances	267,293	72,214	(48,883)	(36,142)	11,545	266,027
Fund balances at beginning of year	199,407	35,427	142,252	20,897	213,705	611,688
Fund balances at end of year	<u>\$ 466,700</u>	<u>\$ 107,641</u>	<u>\$ 93,369</u>	<u>\$ (15,245)</u>	<u>\$ 225,250</u>	<u>\$ 877,715</u>

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

TOWN OF HOMER
HOMER, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS' STATEMENT OF REVENUES,
EXENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds	\$ 266,027
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.	
Capital outlays	58,352
Depreciation	(251,335)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Revenues deferred in the prior year	(8,997)
Revenues deferred in the current year	15,730
Payments of long-term debt, including contributions to the OPEB obligation, are reported as expenditures in governmental funds. However, these amounts are a reduction of long-term liabilities in the Statement of Net Position and are not reflected in the Statement of Activities.	
Pension expense	(92,076)
Contributions to pension plan from third parties	<u>26,555</u>
Change in net position of governmental activities	<u>\$ 14,256</u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017**

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 451,784
Receivables, net	124,676
Due from other funds	65,763
Total current assets	<u>642,223</u>
Noncurrent assets:	
Cash and cash equivalents - restricted	388,348
Capital assets, net	9,089,585
Total noncurrent assets	<u>9,477,933</u>
TOTAL ASSETS	<u>10,120,156</u>
LIABILITIES	
Current liabilities:	
Accounts payable	320,362
Accrued interest on revenue bonds	8,149
Customer deposits payable	126,738
Total current liabilities	<u>455,249</u>
Noncurrent liabilities:	
Non-current liabilities due within one year	214,000
Non-current liabilities due in more than one year	4,156,753
Total noncurrent liabilities	<u>4,370,753</u>
TOTAL LIABILITIES	<u>4,826,002</u>
NET POSITION	
Unrestricted net position	5,294,154
TOTAL NET POSITION	<u>\$ 5,294,154</u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017**

<hr/>	
Operating revenues:	
Charges for sales and services:	
Water charges	\$ 917,567
Sewer charges	281,983
Garbage charges	<u>13,901</u>
Total operating revenues	<u>1,213,451</u>
Operating expenses:	
Depreciation expense	258,349
Insurance expense	10,841
Maintenance and repair	173,583
Materials and supplies	27,283
Operating costs	388,495
Other expenses	106,362
Professional fees	8,682
Salaries and related benefits	214,910
Utilities	<u>119,905</u>
Total operating expenses	<u>1,308,410</u>
Operating income (loss)	<u>(94,959)</u>
Nonoperating revenues (expenses):	
Sales and use taxes	350,010
Intergovernmental revenues	582,127
Interest earned	9,124
Other revenues	12,650
Interest expense	<u>(98,952)</u>
Total nonoperating revenue (expenses)	<u>854,959</u>
Change in net position	760,000
Net position at beginning of year	<u>4,534,154</u>
Net position at end of year	<u><u>\$ 5,294,154</u></u>

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

**TOWN OF HOMER
HOMER, LOUISIANA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Cash flows from operating activities:	
Receipts from customers and users	\$ 1,146,428
Payments to suppliers	(693,998)
Payments to employees	(148,285)
Net cash provided by operating activities	<u>304,145</u>
Cash flows from noncapital financing activities:	
Proceeds from sales taxes	317,362
Other receipts	21,774
Net cash provided by noncapital and related financing activities	<u>339,136</u>
Cash flows from capital and related financing activities:	
Proceeds from capital debt	813,900
Proceeds from capital grants	582,127
Purchases of capital assets	(1,548,322)
Principal paid on capital debt	(453,021)
Interest paid on capital debt	(100,036)
Net cash used by capital and related financing activities	<u>(705,352)</u>
Cash flows from investing activities:	
Interest received	9,124
Net cash provided by investing activities	<u>9,124</u>
Net increase (decrease) in cash and cash equivalents	(52,947)
Cash and cash equivalents, beginning of year (including amounts in restricted accounts)	<u>893,079</u>
Cash and cash equivalents, end of year (including amounts in restricted accounts)	<u>\$ 840,132</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (94,959)
Adjustments to reconcile operating loss to cash provided by operating activities:	
Depreciation expense	258,349
(Increase) decrease in accounts receivable	(71,249)
(Increase) decrease in interfund balances	(28,560)
Increase (decrease) in accounts payable	237,346
Increase (decrease) in customer deposits	4,226
Increase (decrease) in accrued liabilities	(1,008)
Total adjustments	<u>399,104</u>
Net cash provided by operating activities	<u>\$ 304,145</u>
Noncash investing, capital, and financing activities:	
None	

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

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Homer, Louisiana, (the Town) was incorporated March 13, 1850, and granted a special charter under the provisions of Act No. 11 of the Louisiana Legislature. The Town operates under a Mayor-Selectmen form of the government. The Town's major operations include public safety, streets, recreation, and parks, utilities, and general administrative services.

The accompanying basic financial statements of the Town of Homer have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements present the financial position and results of operations of the various funds by the Town and the cash flows of the proprietary fund as of and for the year ended December 31, 2017.

Reporting Entity

GASB Statement 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, Town of Homer is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town of Homer may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bond debt.

Basis of Presentation

The financial report consists of Management's Discussion and Analysis (MD&A), basic financial statements, notes to basic financial statements, and required supplementary information other than the MD&A. The MD&A provides an overview of the financial activities of the Town. The basic financial statements include the government-wide financial statements, fund financial statements, and the notes to the basic financial statements.

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Major revenues such as ad valorem taxes, franchise taxes, licenses, and interest are all considered to be susceptible to accrual. Assets, liabilities, revenues, and expenses of the government are reported in the financial statements. The statements distinguish between the governmental and business-type activities of the Town by reporting each in a separate column.

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The fund financial statements report the Town as a collection of major and nonmajor funds presented on separate schedules by fund category – governmental, proprietary, and fiduciary funds.

- The governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances, with one column for the general fund, one for each of the other major funds, and one column combining all the nonmajor governmental funds. The statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period, generally considered sixty days after the end of the fiscal year. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest payments on general long-term liabilities which are recognized when due.
- The proprietary fund statements include a statement of net position; a statement of revenues, expenses, and changes in fund net position; and a statement of cash flows. Each statement has a column for each major enterprise fund. The Town does not have any nonmajor proprietary funds or internal service funds. The proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting in order to make a determination of net income, financial position, and cash flows.

Although the financial statements presented in each of these three schedules contain “total” columns, they merely combine rather than consolidate the funds. Hence, interfund transactions that generate receivables and payables or transfers from one fund to another are not eliminated.

Major funds are those whose revenues, expenditures/expenses, assets, or liabilities are at least ten percent of the total for their fund category or type (governmental or enterprise) and at least five percent of the corresponding element total for all governmental and enterprise funds combined.

The data on the face of the three sets of financial statements must be accompanied by certain disclosures to ensure accurate information is presented in the form of a single set of notes to the basic financial statements.

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The major governmental funds of the Town are the General Fund, the Street Fund, the Industrial Development Fund, and the Police Fund.

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

The Street Special Revenue Fund accounts for a sales tax levied for the purpose of maintaining streets.

The Industrial Development Fund accounts for sales taxes and grants for the purpose of developing industry in the Town.

The Police Fund accounts for the operations of the police department financed by sales taxes, grants, fines, and transfers from the General Fund.

The Town reports one enterprise fund that accounts for the operation of the water system, sewer system, and garbage services.

Assets, Liabilities, and Net Position, Equity, or Net Fund Balances

Cash and Investments

The Town Clerk pools those cash resources for which she is responsible and invests them accordingly. For purposes of the financial statements, including the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Cash and investment earnings are recorded in the Fund that holds the investment.

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position, Equity, or Net Fund Balances (Continued)

Receivables and Payables

Activity between funds that is outstanding at the end the fiscal year is referred to as either “due to or from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” All internal balances are eliminated in the total primary government column. Receivables include all amounts susceptible to accrual that have not been collected at December 31, but will be collected soon enough after the end of the year to pay liabilities of that year. They include all amounts earned, but not collected at December 31. Receivables (net of any uncollectible amounts) and payables are reported on separate lines.

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied by the Town in September or October, are actually billed in November or December. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year they are billed. The Town bills and collects its own property taxes using the assessed value determined by the assessor of Claiborne Parish. For the year ended December 31, 2017, taxes of 8.45 mills were levied on property with assessed valuations totaling \$14,762,782. The taxes are levied for general operating purposes.

The following are the principal taxpayers and related property tax revenue for the Town:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Hays, James Michael	\$ 2,117,271	14%	\$ 17,891
First Guaranty Bank	353,940	2%	2,991
Gibsland Bank & Trust	310,960	2%	2,628
Entergy Louisiana, Inc.	279,820	2%	2,364
Centerpoint Energy - Arkl	242,271	2%	2,047
Industrial Packaging Corp.	203,284	1%	1,718
Brookshire Food Stores, Inc.	172,394	1%	1,457
Hibernia national Bank	172,290	1%	1,456
Cordell Properties, LLC	167,770	1%	1,418
Bellsouth Telecommunication	145,171	1%	1,227
Totals	<u>\$ 4,165,171</u>	<u>28%</u>	<u>\$ 35,196</u>

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position, Equity, or Net Fund Balances

Inventories and Prepaid Items

Inventories consisting of office supplies and water and sewer plant supplies held for consumption are valued using the average cost method. The consumption method is used for financial reporting. Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Restricted assets represent primarily cash and investments held separately and restricted according to bond indenture agreements. Cash held for water customer meter deposits is also reported as restricted.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure acquired or constructed after the implementation of GASB Statement No. 34 is reported. Capital assets are recorded as expenditures in each fund and capitalized at the government-wide level; fixed assets of business-type activities are reported in the Enterprise Fund. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. For reporting purposes, the Town defines capital assets as follows:

- Land is an inexhaustible asset with no capitalization threshold and an unlimited useful life; therefore, it is not depreciated.
- Buildings are permanent structures erected above ground, while improvements are major repairs, renovations, or additions that increase the future service potential of the asset. Leasehold improvements are improvements made by the lessee to leased property. They are depreciated principally using the straight-line method with an estimated useful life typically between 10 to 40 years for structures and improvements and 20 years for depreciable land improvements. Leasehold improvements are depreciated using the straight-line method with an estimated useful life depending on the term of the lease. Construction-in-progress is not depreciated.
- Movable property (furniture, equipment, and vehicles) consists of assets that are not fixed or stationary in nature. The straight-line method of depreciation is used, which divides the historical cost by the estimated useful life of the asset, generally 5 to 10 years.
- Infrastructure assets are roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Infrastructure is depreciated using the straight-line method with an estimated useful life of 40 years.
- Donated capital assets are recorded at their estimated fair value at the date of donation.

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position, Equity, or Net Fund Balances

Compensated absences

Employees of the Town earn vacation leave depending upon their length of service. Employees may not accumulate and carryforward days of vacation leave beyond the end of each calendar year except in cases of emergency. In addition, employees can earn compensatory leave for working overtime. All vacation and compensatory leave is expected to be liquidated with expendable financial resources and thus is considered short-term and recognized as a liability as appropriate.

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental or business-type activities. In the fund financial statements, proprietary fund long-term obligations are reported as liabilities in the proprietary fund type statement of net position. Individual funds have been used to liquidate other long-term liabilities such as compensated absences, claims and litigation payable, etc. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. In accordance with paragraph 16 of the Accounting Principles Board Opinion No. 21, unamortized balances of premiums and discounts are netted against the outstanding balance of the related bonds payable.

Fund Balance Classifications and Net Position

Fund balances are reported under the following fund balance classifications:

Non-spendable	Includes fund balance amounts that cannot be spent either because it is not in spendable form or are legally or contractually required to be maintained intact.
Restricted	Includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
Committed	Includes amounts that can only be used for specific purposes pursuant to constraints that are internally imposed by the government through formal action of the Town Council and does not lapse at year-end.
Assigned	Includes amounts that are constrained by the Council's intent to be used for specific purposes that are neither considered restricted or committed.
Unassigned	Includes amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund. Negative fund balances in other governmental funds can also be classified as unassigned.

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications and Net Position (Continued)

The Town has a general policy to first use restricted resources for expenditures incurred for which both restricted and unrestricted (committed, assigned, and unassigned) resources are available. When expenditures are incurred for which only unrestricted resources are available, the general policy of the Town is to use committed resources first, followed by assigned, and then unassigned. The use of restricted/committed resources may be deferred based on a review of the specific transaction.

The difference between assets and liabilities is “net position” on the government-wide, proprietary, and fiduciary fund statements. Net position is segregated into three categories on the government-wide statement of net position:

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 either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations. The Town first uses restricted net position for expenses incurred when both restricted and unrestricted net position are available for use. The use of restricted net position may be deferred based on a review of the specific transaction.

Unrestricted net position – The balance of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation of the government-wide statements to the governmental fund financial statements. This reconciliation is necessary to bring the financial statements from the current financial resources measurement focus and modified accrual basis of accounting to the economic measurement focus and full accrual basis of accounting. Major items included in the reconciliation are capital assets, inventories and prepaids, long-term debt, accrued interest, long-term liabilities, and deferred revenue, which are shown on the government-wide but not the governmental fund statements.

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications and Net Position (Continued)

Budgets

The Town of Homer (Mayor and Board) uses the following budget practices:

Prior to December 31, the Town Clerk submits to the Mayor and Selectmen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.

Public hearings are conducted to obtain taxpayer comment.

During the month of July, the budget is legally enacted through passage of an ordinance.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and the Debt Service Fund.

Budgets are adopted on the modified accrual basis.

Appropriations lapse at the end of each fiscal year.

The Mayor and Selectmen may authorize supplemental appropriations during the year.

Use of estimates

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

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy to ensure that there is no exposure to this risk is to require each financial institution to pledge its own securities to cover any amount in excess of Federal Depository Insurance Coverage. The policy is not a formal written policy. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand.

At December 31, 2017, the Town has cash and cash equivalents (book balances) totaling \$1,645,847 as follows:

Cash and cash equivalents:	
Demand deposits	\$ 1,645,347
Other	500
Total	<u>\$ 1,645,847</u>

These deposits are stated at cost which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of December 31, 2017, the Town's bank balances were exposed to custodial credit risk as follows:

Insured by FDIC	<u>\$ 250,000</u>
Uninsured and uncollateralized	-
Collateralized by pledged securities not in the Town's name	<u>1,620,221</u>
Total balances exposed to custodial credit risk	<u>1,620,221</u>
Total bank balances	<u>\$ 1,870,221</u>

NOTE 3 – RECEIVABLES

The following is a summary of receivables at December 31, 2017:

	<u>General</u>	<u>Street</u>	<u>Industrial Development</u>	<u>Police</u>	<u>Nonmajor</u>	<u>Enterprise</u>	<u>Total</u>
Taxes and licenses	\$ 155,300	\$ 33,454	\$ -	\$ 34,167	\$ 31,884	\$ -	\$ 254,805
Accounts	-	-	-	-	-	123,820	123,820
Intergovernmental	-	-	-	1,830	-	-	1,830
Other	2,985	-	600	2,802	-	856	7,243
Gross receivables	<u>158,285</u>	<u>33,454</u>	<u>600</u>	<u>38,799</u>	<u>31,884</u>	<u>124,676</u>	<u>387,698</u>
Less allowance for uncollectibles	<u>(23,026)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,026)</u>
Net receivables	<u>\$ 135,259</u>	<u>\$ 33,454</u>	<u>\$ 600</u>	<u>\$ 38,799</u>	<u>\$ 31,884</u>	<u>\$ 124,676</u>	<u>\$ 364,672</u>

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended December 31, 2017, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 135,743	\$ -	\$ -	\$ 135,743
Construction in progress	1,158,140	2,250	(1,158,140)	2,250
Total capital assets not being depreciated	<u>1,293,883</u>	<u>2,250</u>	<u>(1,158,140)</u>	<u>137,993</u>
Capital assets being depreciated:				
Infrastructure	3,330,717	-	-	3,330,717
Land improvements	2,926,318	1,158,140	-	4,084,458
Buildings	921,398	9,635	-	931,033
Building improvements	324,784	-	-	324,784
Furniture and equipment	300,870	21,010	(37,474)	284,406
Vehicles	632,981	25,457	(28,660)	629,778
Total capital assets being depreciated	<u>8,437,068</u>	<u>1,214,242</u>	<u>(66,134)</u>	<u>9,585,176</u>
Less accumulated depreciation for:				
Infrastructure	2,306,199	71,222	-	2,377,421
Land improvements	1,808,511	123,600	-	1,932,111
Buildings	689,090	13,341	-	702,431
Building improvements	78,517	12,953	-	91,470
Furniture and equipment	266,635	8,658	(37,474)	237,819
Vehicles	544,952	21,561	(28,660)	537,853
Total accumulated depreciation	<u>5,693,904</u>	<u>251,335</u>	<u>(66,134)</u>	<u>5,879,105</u>
Total capital assets being depreciated	<u>2,743,164</u>	<u>962,907</u>	<u>-</u>	<u>3,706,071</u>
Governmental activities, capital assets, net	<u>\$ 4,037,047</u>	<u>\$ 965,157</u>	<u>\$ (1,158,140)</u>	<u>\$ 3,844,064</u>

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Ending Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 13,330	\$ -	\$ -	\$ 13,330
Construction in progress	3,223,889	1,347,557	-	4,571,446
Total capital assets not being depreciated	<u>3,237,219</u>	<u>1,347,557</u>	<u>-</u>	<u>4,584,776</u>
Capital assets being depreciated:				
Infrastructure	12,235,479	200,765	-	12,436,244
Buildings	127,367	-	-	127,367
Furniture and equipment	83,358	-	-	83,358
Vehicles	176,698	-	-	176,698
Total capital assets being depreciated	<u>12,622,902</u>	<u>200,765</u>	<u>-</u>	<u>12,823,667</u>
Less accumulated depreciation for:				
Infrastructure	7,696,160	249,391	-	7,945,551
Buildings	127,367	-	-	127,367
Furniture and equipment	82,524	239	-	82,763
Vehicles	154,458	8,719	-	163,177
Total accumulated depreciation	<u>8,060,509</u>	<u>258,349</u>	<u>-</u>	<u>8,318,858</u>
Total capital assets being depreciated	<u>4,562,393</u>	<u>(57,584)</u>	<u>-</u>	<u>4,504,809</u>
Business-type activities, capital assets, net	<u>\$ 7,799,612</u>	<u>\$ 1,289,973</u>	<u>\$ -</u>	<u>\$ 9,089,585</u>

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 14,201
Public safety	29,662
Highways and streets	71,817
Culture and recreation	10,300
Economic development	125,355
Total	<u>\$ 251,335</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers during the year ended December 31, 2017, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 10,231	\$ 354,727
Street	9,055	-
Industrial Development	-	-
Police	356,672	-
Nonmajor	18,845	40,076
Total	<u>\$ 394,803</u>	<u>\$ 394,803</u>

During the year, transfers were recorded to eliminate interfund balances for which the Town does not anticipate it will be able to clear otherwise. Additionally, transfers include unrestricted amounts transferred to subsidize other funds.

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6 – LONG-TERM OBLIGATIONS

Debt is comprised of the following at December 31, 2017:

2013 Revenue Bonds:

\$2,280,000 Sewer Revenue Bonds dated April 24, 2013, payable over a 20 year period in annual installments ranging from \$69,460-\$157,519 including interest through December 2033; interest at 3.25%.

\$ 1,960,000

LDEQ Revolving Loan:

The Town entered into a loan agreement with DEQ to fund system improvements not to exceed \$3,500,000 in 2013. Upon the payment of each principal draw on the loan, twenty-eight and a half percent of the principal amount of each draw on the loan is forgiven. Total draws on the loan for the year ended December 31, 2015 were \$1,007,600, of which \$287,886 was forgiven. The loan bears interest at a rate of .4500%.

1,495,567

LDHH Revolving Loan:

The Town entered into a loan agreement with DHH to fund system improvements not to exceed \$3,600,000 in 2015. Upon the payment of each principal draw on the loan, thirty percent of the principal amount of each draw on the loan is forgiven. Total draws on the loan for the year ended December 21, 2015 were \$220,785, of which \$66,235 was forgiven. The loan bears interest at a rate of 2.95%.

915,186

Total \$ 4,370,753

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds - 2013 Issue	\$ 2,055,000	\$ -	\$ (95,000)	\$ 1,960,000	\$ 95,000
LDEQ Revolving Loan	1,524,063	80,506	(109,002)	1,495,567	119,000
LDHH Revolving Loan	430,811	733,394	(249,019)	915,186	-
Net pension liability	1,158,860	185,141	-	1,344,001	-
Total	<u><u>\$ 5,168,734</u></u>	<u><u>\$ 999,041</u></u>	<u><u>\$ (453,021)</u></u>	<u><u>\$ 5,714,754</u></u>	<u><u>\$ 214,000</u></u>

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirements to maturity for bonds are as follows:

	2013 Revenue Bonds
2018	95,000
2019	100,000
2020	100,000
2021	105,000
2022	110,000
2023-2027	595,000
2028-2032	700,000
2033	155,000
Total	<u>\$ 1,960,000</u>

There are a number of limitations and restrictions contained in the various bond indentures. The Town is in compliance with all significant limitations and restrictions.

Interest expense for business-type activities for the year ended December 31, 2017, totaled \$98,952.

NOTE 7 – EQUITY

All funds' revenues include sales and use taxes which are restricted. Restricted net position is restricted for cash held for meter deposits and debt service.

NOTE 8 – RETIREMENT SYSTEMS

Municipal Employees' Retirement System of Louisiana (System)

Plan Description

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

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

Municipal Employees' Retirement System of Louisiana (System) (Continued)

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

1. Any age with 25 years of creditable service.
2. Age 60 with a minimum of ten years of creditable service.
3. Under age 60 with five years of creditable service eligible for disability benefits.
4. Survivor's benefits require five years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

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

1. Any age with 25 or more years of creditable service.
2. Age 60 with 10 or more years of creditable service.
3. Under age 60 with five years of creditable service eligible for disability benefits.
4. Survivor's benefits require five years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to 3% of the employee's final compensation multiplied by his or her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. The System also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended December 31, 2017, the Town of Homer's total payroll for all employees was \$868,189. Total covered payroll was \$174,909. Covered payroll refers to all compensation paid by the Town of Homer to active employees covered by the Plan.

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

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended December 31, 2017, the actual employer contribution rate was 22.75% for January through June and 24.75% for July through December for Plan A, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

Municipal Employees' Retirement System of Louisiana (System) (Continued)

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town of Homer to the System monthly. The Town of Homer's contributions to the System under Plan A for the year ending December 31, 2017 were \$41,538.

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

At December 31, 2017, the Town of Homer reported a liability of \$395,999 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town of Homer's proportion of the Net Pension Liability was based on a projection of the Police Jury's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.094659%, which was a decrease of 0.014606% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town of Homer recognized pension expense of \$69,159 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, which was (\$73,418). Total pension expense for the Town of Homer for the year ended December 31, 2017 was (\$4,259).

At December 31, 2017, the Town of Homer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$-	\$12,060
Changes in assumption	6,621	-
Net difference between projected and actual earnings on pension plan investments	79,853	-
Changes in employer's portion of beginning net pension liability	-	36,610
Differences between employer contributions and proportionate share of employer contributions	1	-
Subsequent measurement contributions	21,606	-
Total	\$108,081	\$48,670

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

Municipal Employees' Retirement System of Louisiana (System) (Continued)

The \$21,606 reported as deferred outflows of resources related to pensions resulting from the Town of Homer's contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$19,804
2019	19,804
2020	19,804

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 is as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.400%
Inflation rate	2.775%
Salary increases, including inflation and merit increases	5.000%
Annuitant and beneficiary mortality	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	RP-2000 Employees Sex Distinct Table set back 2 years for both males and females.
Disabled lives mortality	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.
Expected remaining service lives	3 years for Plan A

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

Municipal Employees' Retirement System of Louisiana (System) (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.3%
Public fixed income	35%	1.6%
Alternatives	15%	0.7%
Totals	100%	4.6%
Inflation		2.6%
Expected arithmetic nominal return		7.2%

Discount Rate

The discount rate used to measure the total pension liability was 7.40% for the years ended June 30, 2017. 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, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2017 is 3 years for Plan A and 4 years for Plan B.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

Municipal Employees' Retirement System of Louisiana (System) (Continued)

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

The following presents the Town of Homer's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the Town of Homer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.40%) or one percentage-point higher (8.40%) than the current rate:

	1.0% Decrease (6.40%)	Current Discount Rate (7.40%)	1.0% Increase (8.40%)
Employer's proportionate share of net pension liability	\$504,634	\$395,999	\$303,337

Payables to the Pension Plan

These financial statements include a payable to the pension plan of \$13,271, which is the legally required contribution due at December 31, 2017. This amount is recorded in accrued expenses.

Plan Fiduciary Net Position

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

Municipal Police Employees' Retirement System of Louisiana (System)

Plan Description

The Town of Homer contributes to the Municipal Police Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. Membership in the System is mandatory for all full-time police officers employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria.

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

1. Any age with 25 years of creditable service.
2. Age 50 with a minimum of twenty or more years of creditable service.
3. Age 55 with a minimum of twelve or more years of creditable service.
4. After 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

Municipal Police Employees' Retirement System of Louisiana (System) (Continued)

The monthly amount of benefits are 3 1/3% of their average final compensation (employee's average monthly earnings during the highest 36 consecutive or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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

Hazardous Duty

1. Any age with 25 years of creditable service.
2. Age 55 with twelve or more years of creditable service.
3. After 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Non Hazardous Duty

1. Any age with 30 years of creditable service.
2. Age 55 with 25 or more years of creditable service.
3. Age 60 with 10 or more years of creditable service.
4. After 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

The benefit rates are three percent and two and a half 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. The system also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended December 31, 2017, the Town of Homer's total payroll for all employees was \$868,189. Total covered payroll was \$258,472. Covered payroll refers to all compensation paid by the Town of Homer to active employees covered by the Plan.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Police Employees' Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809, or by calling (225) 929-7411, or by visiting the System's website www.lampers.org.

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended December 31, 2017, the actual contribution rate was 31.75% for January through June and 30.75% for July through December, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

Municipal Police Employees' Retirement System of Louisiana (System) (Continued)

Members are required by state statute to contribute 10.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town of Homer to the System monthly. The Town of Homer's contributions to the System for the year ending December 31, 2017 were \$80,794.

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

At December 31, 2017, the Employer reported a liability of \$948,002 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town of Homer's proportion of the Net Pension Liability was based on a projection of the Police Jury's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.108586%, which was an increase of 0.032727% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town of Homer recognized pension expense of \$135,927 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, which was (\$39,593). Total pension expense for the Town of Homer for the year ended December 31, 2017 was \$96,334.

At December 31, 2017, the Town of Homer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$6,2017	\$7,287
Changes in assumption	67,456	-
Net difference between projected and actual earnings on pension plan investments	41,500	-
Changes in employer's portion of beginning net pension liability	240,796	-
Differences between employer contributions and proportionate share of employer contributions	-	-
Subsequent measurement contributions	39,090	-
Total	\$395,049	\$7,287

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

Municipal Police Employees' Retirement System of Louisiana (System) (Continued)

The \$39,090 reported as deferred outflows of resources related to pensions resulting from the Town of Homer contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$96,941
2019	96,941
2020	96,941
2021	96,941

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 as follows:

Valuation Date	June 30, 2017	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Investment Rate of Return	7.325%, net of investment expense	
Inflation rate	2.700%	
Mortality	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. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	
Projected salary increases	Years of service	Salary growth rate
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Expected remaining service lives	4 years	
Cost-of-Living Adjustments	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.	

TOWN OF HOMER
HOMER, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

Municipal Police Employees' Retirement System of Louisiana (System) (Continued)

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. The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	53%	3.66%
Fixed income	21%	0.52%
Alternatives	20%	1.11%
Other	6%	0.16%
Totals	100%	5.44%
Inflation		2.75%
Expected arithmetic nominal return		8.19%

Discount Rate

The discount rate used to measure the total pension liability was 7.325%. 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.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

Municipal Police Employees' Retirement System of Louisiana (System) (Continued)

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

The following presents the Town of Homer's proportionate share of the net pension liability calculated using the discount rate of 7.325%, as well as what the Town of Homer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.325%) or one percentage-point higher (8.325%) than the current rate:

	1.0% Decrease (6.325%)	Current Discount Rate (7.325%)	1.0% Increase (8.325%)
Employer's proportionate share of net pension liability	\$1,309,756	\$948,002	\$644,516

Payables to the Pension Plan

These financial statements do not include a payable to the pension plan.

Plan Fiduciary Net Position

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

NOTE 9 – ON-BEHALF PAYMENTS

Certain employees in the Town's police department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24, the Town has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement totaled \$38,000. The related expenditures of \$38,000 are included in expenditures in the Police Fund.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

At December 31, 2017, the Town had several contracts in progress that are funded at least in part by grant funds. Total contracts, expenditures to date, and contract balances remaining are \$5,532,116, \$4,702,823, and \$829,293, respectively.

At December 31, 2017, the Town was not involved in any litigation. Subsequent to year end, the Town became involved in a case. Counsel for the Town estimates that the Town's potential exposure would be limited to \$15,000, the deductible on its insurance policy.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 11 – RISK MANAGEMENT

The Town is exposed to various risks of loss relating to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 29, 2018, the date on which the financial statements were available to be released.

As described in Note 10, COMMITMENTS AND CONTINGENCIES, the Town became involved in litigation in June 2018.

NOTE 13 – STEWARDSHIP

For the year ended December 31, 2017, for the sum of expenditures and other uses, actual amounts exceeded budgeted amounts in the following funds:

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General	\$492,096	\$ 522,636	\$ 542,900	\$ (20,264)
Industrial Development	55,550	56,940	74,731	(17,791)

NOTE 14 – ACCOUNTING STANDARDS

GASB has issued the following statements:

Issued in June of 2015, GASB Statement 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, and GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, aim to improve accounting and financial reporting for OPEB, resulting from a comprehensive review of the effectiveness of existing standards. The requirements of these Statements will improve financial reporting through enhanced note disclosures and schedules of RSI that will be presented by OPEB plans. These Statements establish standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expenses/expenditures. GASB 74 is effective for years beginning after May 26, 2016, and GASB 75 is effective for years beginning after June 15, 2017. The Town is not impacted by the provisions of this Statement.

GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14, was issued in January 2016. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. This statement does not affect the Town’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 – ACCOUNTING STANDARDS (CONTINUED)

GASB Statement No. 81, Irrevocable Split-Interest Agreements, was issued in March 2016. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. This statement does not affect the Town's financial statements.

GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73, was issued in March 2016. This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. This statement will not have a significant effect on the Town's financial statements.

GASB Statement No. 83, Certain Asset Retirement Obligations, was issued in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This statement is not expected to affect the Town's financial statements.

GASB Statement No. 84, Fiduciary Activities, was issued in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not expected to affect the Town's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 – ACCOUNTING STANDARDS (CONTINUED)

GASB Statement No. 85, Omnibus 2017, was issued in March 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not expected to have a significant impact on the Town's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not expected to affect the Town's financial statements.

GASB Statement No. 87, *Leases*, was issued in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued in April 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWN OF HOMER
HOMER, LOUISIANA**

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 655,600	\$ 658,930	\$ 656,320	\$ (2,610)
Licenses and permits	60,990	60,400	63,189	2,789
Intergovernmental revenues	-	3,500	3,482	(18)
Charges for services	5,000	1,000	24,258	23,258
Lease income	4,000	4,000	4,250	250
Interest earned	500	4,000	4,188	188
Other revenues	19,535	78,655	80,675	2,020
Total revenues	<u>745,625</u>	<u>810,485</u>	<u>836,362</u>	<u>25,877</u>
Expenditures:				
Current:				
General government:				
Finance and administrative	251,426	245,955	243,814	(2,141)
Legislative	24,000	23,200	23,200	-
Elections	1,500	1,500	-	(1,500)
Other general government	200,870	224,698	222,310	(2,388)
Public safety	-	-	26,327	26,327
Health and welfare	14,100	15,283	15,223	(60)
Culture and recreation	200	12,000	12,026	26
Total expenditures	<u>492,096</u>	<u>522,636</u>	<u>542,900</u>	<u>20,264</u>
Excess (deficiency) of revenues over expenditures	<u>253,529</u>	<u>287,849</u>	<u>293,462</u>	<u>5,613</u>
Other sources (uses):				
Operating transfers in	4,000	10,230	10,231	1
Operating transfers out	(259,000)	(377,555)	(354,727)	22,828
Gain (loss) on sale of capital assets	-	318,326	318,326	-
Total other sources (uses)	<u>(255,000)</u>	<u>(48,999)</u>	<u>(26,170)</u>	<u>22,829</u>
Net change in fund balance	(1,471)	238,850	267,292	28,442
Fund balance, beginning of year	393,630	187,015	199,408	12,393
Fund balance, end of year	<u>\$ 392,159</u>	<u>\$ 425,865</u>	<u>\$ 466,700</u>	<u>\$ 40,835</u>

Note: This schedule is prepared on the modified accrual basis.

**TOWN OF HOMER
HOMER, LOUISIANA**

**SPECIAL REVENUE FUND – STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 336,900	\$ 336,900	\$ 338,048	\$ 1,148
Intergovernmental revenues	6,660	6,660	9,990	3,330
Charges for services	2,000	-	-	-
Interest earned	300	470	470	-
Other revenues	-	1,000	1,060	60
Total revenues	345,860	345,030	349,568	4,538
Expenditures:				
Current:				
Highways and streets	291,268	282,053	279,709	(2,344)
Health and welfare	9,000	7,500	6,700	(800)
Capital outlay	30,000	900	-	(900)
Total expenditures	330,268	290,453	286,409	(4,044)
Excess (deficiency) of revenues over expenditures	15,592	54,577	63,159	8,582
Other sources (uses):				
Operating transfers in	-	9,055	9,055	-
Net change in fund balance	15,592	63,632	72,214	8,582
Fund balance at beginning of year	15,301	35,427	35,427	-
Fund balance at end of year	\$ 30,893	\$ 99,059	\$ 107,641	\$ 8,582

Note: This schedule is prepared on the modified accrual basis.

**TOWN OF HOMER
HOMER, LOUISIANA**

**SPECIAL REVENUE FUND – INDUSTRIAL DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final Budget</u>
Revenues:				
Intergovernmental revenues	\$ 13,000	\$ 28,850	\$ 31,103	\$ 2,253
Lease income	1,800	900	900	-
Interest earned	500	2,000	1,975	(25)
Other revenues	-	(5,880)	(5,880)	-
Total revenues	<u>15,300</u>	<u>25,870</u>	<u>28,098</u>	<u>2,228</u>
Expenditures:				
Current:				
Economic development	55,550	56,940	74,731	17,791
Capital outlay	-	16,220	2,250	(13,970)
Total expenditures	<u>55,550</u>	<u>73,160</u>	<u>76,981</u>	<u>3,821</u>
Excess (deficiency) of revenues over expenditures	<u>(40,250)</u>	<u>(47,290)</u>	<u>(48,883)</u>	<u>(1,593)</u>
Net change in fund balances	(40,250)	(47,290)	(48,883)	(1,593)
Fund balance at beginning of year	170,796	142,252	142,252	-
Fund balance at end of year	<u>\$ 130,546</u>	<u>\$ 94,962</u>	<u>\$ 93,369</u>	<u>\$ (1,593)</u>

Note: This schedule is prepared on the modified accrual basis.

**TOWN OF HOMER
HOMER, LOUISIANA**

**SPECIAL REVENUE FUND – POLICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final Budget</u>
Revenues:				
Taxes	\$ 258,900	\$ 258,900	\$ 268,257	\$ 9,357
Intergovernmental revenues	54,000	54,000	38,000	(16,000)
Charges for services	7,850	4,765	9,740	4,975
Fines	78,000	73,000	71,779	(1,221)
Interest earned	100	200	193	(7)
Other revenues	3,100	1,800	1,667	(133)
Total revenues	<u>401,950</u>	<u>392,665</u>	<u>389,636</u>	<u>(3,029)</u>
Expenditures:				
Current				
Public safety:				
Police Department	724,677	734,906	756,993	22,087
Capital outlay	<u>70,000</u>	<u>60,000</u>	<u>25,457</u>	<u>(34,543)</u>
Total expenditures	<u>794,677</u>	<u>794,906</u>	<u>782,450</u>	<u>(12,456)</u>
Excess (deficiency) of revenues over expenditures	<u>(392,727)</u>	<u>(402,241)</u>	<u>(392,814)</u>	<u>9,427</u>
Other sources (uses):				
Operating transfers in	<u>359,000</u>	<u>382,000</u>	<u>356,672</u>	<u>(25,328)</u>
Net change in fund balance	(33,727)	(20,241)	(36,142)	(15,901)
Fund balance - beginning of year	56,444	20,897	20,897	-
Fund balance - end of year	<u>\$ 22,717</u>	<u>\$ 656</u>	<u>\$ (15,245)</u>	<u>\$ (15,901)</u>

Note: This schedule is prepared on the modified accrual basis.

**TOWN OF HOMER
HOMER, LOUISIANA
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

	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 pension as a percentage of the total pension liability
MERS:					
2015	0.12%	\$ 411,998	\$ 204,808	201.16%	66.18%
2016	0.11%	\$ 447,846	\$ 195,185	229.45%	62.11%
2017	0.09%	\$ 395,999	\$ 171,461	230.96%	62.49%
MPERS:					
2015	0.07%	\$ 514,574	\$ 203,239	253.19%	70.73%
2016	0.08%	\$ 711,013	\$ 200,023	355.47%	66.04%
2017	0.11%	\$ 948,002	\$ 259,984	364.64%	70.08%

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

**TOWN OF HOMER
HOMER, LOUISIANA
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered employee payroll	Contributions as a percentage of covered employee payroll
MERS:					
2015	\$ 39,508.00	\$ 39,508.00	\$ -	\$ 200,041.00	19.75%
2016	\$ 37,727.00	\$ 37,727.00	\$ -	\$ 178,288.00	21.16%
2017	\$ 41,537.78	\$ 41,537.78	\$ -	\$ 174,909.26	23.75%
MPERS:					
2015	\$ 59,826.00	\$ 59,826.00	\$ -	\$ 181,321.00	32.99%
2016	\$ 74,355.00	\$ 74,355.00	\$ -	\$ 237,491.00	31.31%
2017	\$ 80,794.32	\$ 80,794.32	\$ -	\$ 258,472.21	31.26%

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

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF HOMER
HOMER, LOUISIANA**

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF December 31, 2017**

	Fires	Recreation	Contingency	Tourism	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 143,842	\$ 48,836	\$ 450	\$ 441	\$ 193,569
Receivables, net	11,440	15,578	4,866	-	31,884
TOTAL ASSETS	<u>\$ 155,282</u>	<u>\$ 64,414</u>	<u>\$ 5,316</u>	<u>\$ 441</u>	<u>\$ 225,453</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 203	\$ -	\$ -	\$ -	\$ 203
Total liabilities	<u>203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203</u>
Fund balances:					
Restricted fund balances	<u>155,079</u>	<u>64,414</u>	<u>5,316</u>	<u>441</u>	<u>225,250</u>
Total fund balances	<u>155,079</u>	<u>64,414</u>	<u>5,316</u>	<u>441</u>	<u>225,250</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 155,282</u>	<u>\$ 64,414</u>	<u>\$ 5,316</u>	<u>\$ 441</u>	<u>\$ 225,453</u>

**TOWN OF HOMER
HOMER, LOUISIANA**

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Fire	Recreation	Contingency	Tourism	Total Nonmajor Governmental Funds
Revenues:					
Taxes:					
Sales and use	\$ 98,306	\$ 146,496	\$ 45,399	\$ -	\$ 290,201
Other taxes, penalties and interest	-	-	-	18,782	18,782
Intergovernmental:					
State funds:					
Intergovernmental - state funds - fire insurance rebate	25,000	-	-	-	25,000
Charges for services	60	-	-	-	60
Interest earned	1,533	512	81	50	2,176
Other revenues	-	8,215	-	-	8,215
Total revenues	<u>124,899</u>	<u>155,223</u>	<u>45,480</u>	<u>18,832</u>	<u>344,434</u>
Expenditures:					
Current:					
Public safety - police department:	94,927	-	-	-	94,927
Culture and recreation	-	128,910	10,000	-	138,910
Economic development	-	-	-	51,376	51,376
Capital outlay	21,010	9,635	-	-	30,645
Total expenditures	<u>115,937</u>	<u>138,545</u>	<u>10,000</u>	<u>51,376</u>	<u>315,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,962</u>	<u>16,678</u>	<u>35,480</u>	<u>(32,544)</u>	<u>28,576</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	18,845	18,845
Operating transfers out	-	-	(40,076)	-	(40,076)
Sale of capital assets	4,200	-	-	-	4,200
Total other financing sources and uses	<u>4,200</u>	<u>-</u>	<u>(40,076)</u>	<u>18,845</u>	<u>(17,031)</u>
Net change in fund balances	13,162	16,678	(4,596)	(13,699)	11,545
Fund balances at beginning of year	141,917	47,736	9,912	14,140	213,705
Fund balances at end of year	<u>\$ 155,079</u>	<u>\$ 64,414</u>	<u>\$ 5,316</u>	<u>\$ 441</u>	<u>\$ 225,250</u>

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF COMPENSATION TO MAYOR AND BOARD OF SELECTMEN
FOR THE YEAR ENDED DECEMBER 31, 2017**

Roy Lewis, Mayor	\$ 48,000
Willie Curry	600
Retha Curry	2,000
Alonzo Mitchell	2,000
Bobby Burns	3,400
Ray Jiles	1,200
Keldron Johnston	4,800
Brandon Rich	4,800
Susan Herring	2,400
Clifton Mozeke	2,000
Total	<u>\$ 71,200</u>

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF COMPENSATION, BENEFITS, REIMBURSEMENTS
AND OTHER PAYMENTS TO OR ON BEHALF OF AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2017**

Roy Lewis, Mayor:	
Salary	\$48,000
Payroll Taxes	3,672
Insurance	7,370
Travel	408
Registration Fees	345
Conference Travel	2,534
Total	<u>\$62,329</u>

The accompanying notes are an integral part of this schedule.

OTHER REPORTS



Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

**To the Honorable Roy Lewis, Mayor
and Honorable Members of the Board of Selectmen
Town of Homer
Homer, Louisiana**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Homer, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Homer, Louisiana's basic financial statements, and have issued our report thereon dated June 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Homer, 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 Homer, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Homer, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness (2017-002).

Town of Homer
Homer, Louisiana
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
December 31, 2017

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Homer, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 as item 2017-001.

Town of Homer's Response to Findings

The Town of Homer, Louisiana's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Homer, Louisiana's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, it is issued by the Legislative Auditor as a public document.

BOSCH & STATHAM, LLC



Ruston, Louisiana
June 29, 2018

TOWN OF HOMER
HOMER, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on whether the basic financial statements of the Town of Homer were prepared in accordance with GAAP.
2. One material weakness is reported in the 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*.
3. One instance of noncompliance material to the financial statements of the Town of Homer, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2017-001 Maintenance of the Minute and Ordinance Books

First Reported

2016

Type

Noncompliance with Charter

Criteria

Section 11 of the Town of Homer's Charter states, "It shall be the duty of the clerk to record in a well bound book all the proceedings, bylaws, ordinances and police regulations adopted by the mayor and selectmen, and to cause the same to be promulgated by publication in the newspapers of the town, and that no bylaw, ordinance or police regulation shall have effect until it shall have been so published for ten (10) days."

Condition

During the audit of the 2016 fiscal year, we noted that the ordinances adopting the 2016 and 2017 budgets were not filed in the ordinance book. The ordinances had to be reprinted and resigned. We also noted that the budgets covered by the ordinances were not attached to the ordinances.

During the audit of the 2017 fiscal year, we noted that the 2018 budget ordinance was not in the ordinance book.

Cause

The omission appears to be an oversight.

TOWN OF HOMER
HOMER, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Effect

The Town is not in compliance with its charter. Official records could be lost if not properly retained.

Recommendation

The Clerk files copies of minutes and documents in a filing cabinet. We recommend that the only official files be the minute book and the ordinance book where documents should be directly filed. We recommend that the Town Clerk prepare written policies and procedures to address the procedures for filing documents in the Town's official minute book and ordinance book. The Town Clerk should obtain the Mayor's approval for the policies and procedures. Once the written policies and procedures are approved, they should be implemented. In the interim period, we recommend that the Town Clerk review the Ordinance Book and the Minute Book to ensure that they are complete.

Management's Response

We will implement the auditor's recommendation.

2017-002 Internal Control over Bank Reconciliations

First Reported

2017

Type

Material Weakness

Criteria

Bank reconciliations are to be prepared monthly after all activity has been posted to the general ledger.

Condition

Significant transactions were posted in the general ledger after the bank reconciliations were prepared.

Cause

Bank reconciliations are typically prepared on the first day of the month following the bank statement period. The general ledger has typically not been posted completely.

Effect

Bank reconciliations do not agree to general ledgers. Cash balances could be incorrect.

TOWN OF HOMER
HOMER, LOUISIANA

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Recommendation

We recommend that management evaluate the current policies and procedures to ensure that procedures prevent differences and errors.

Management's Response

We will implement the auditor's recommendation.

**TOWN OF HOMER
HOMER, LOUISIANA**

**STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken Yes, No, Partially	Planned Corrective Action/Partial Corrective Action Taken
2016-001	2014	Town Financial Statements Were Not Filed in a Timely Manner	Yes	
2016-002	2016	Failure to Properly Maintain the Ordinance Book	No	See 2017-001
M2016-001	2016	Policies and Procedures in Recording Police Tickets Could be Improved	Yes	



TOWN OF HOMER

Danny 'Roy' Lewis, Mayor

400 East Main

Homer, LA 71040

(318) 927-3555 · Fax (318) 927-3399

Town Clerk
Lori Kirkpatrick

Town Attorney
Daniel Bays

June 29, 2018

Bosch & Statham, LLC
P. O. Box 2377
Ruston, LA 71273-2377

In connection with your engagement to apply agreed-upon procedures to certain control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period January 1, 2017 through December 31, 2017, we confirm to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We are responsible for the C/C areas identified in the SAUPs, including written policies and procedures; board or finance committee; bank reconciliations; collections; disbursements; credit/debit/fuel/purchasing cards; travel and expense reimbursement; contracts; payroll and personnel; ethics; debt service; and other areas (should be customized by entity, as applicable).

Yes No
2. For the fiscal period January 1, 2017 through December 31, 2017, the C/C areas were administered in accordance with the best practice criteria presented in the SAUPs.

Yes No
3. We are responsible for selecting the criteria and procedures and for determining that such criteria and procedures are appropriate for our purposes.

Yes No
4. We have disclosed to you all known matters contradicting the results of the procedures performed in C/C areas.

Yes No
5. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others affecting the C/C areas, including communications received between December 31, 2017, and June 28, 2018.

Yes No
6. We have provided you with access to all records that we believe are relevant to the C/C areas and the agreed-upon procedures.

Yes No

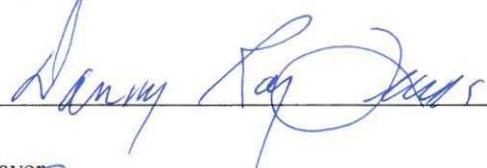
*Council Members: Alonzo Mitchell-District I Rev. Ray Jiles-District II Keldron Johnston-District III
Brandon Rich, Mayor Pro Tem-District IV Clifton Mozeke-District V*

"This Institution Is An Equal Opportunity Employer and Provider"

Last Updated: August 17, 2017

7. We represent that the listing of bank accounts provided to you is complete.
Yes No
8. We represent that the listing of cash/check/money order (cash) collection locations provided to you is complete.
Yes No
9. We represent that the listing of entity disbursements or the general ledger population of entity disbursements provided to you is complete.
Yes No
10. We represent that the 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, provided to you is complete.
Yes No
11. We represent that the listing of all travel and related expense reimbursements, by person, during the fiscal period or the general ledger population of travel and related expense reimbursements provided to you is complete.
Yes No
12. We represent that the listing of all contracts in effect during the fiscal period or the general ledger population of contract payments provided to you is complete.
Yes No
13. We represent that the listing of employees (and elected officials, if applicable) with their related salaries provided to you is complete.
Yes No
14. We represent that the listing of employees (and elected officials, if applicable) that terminated during the fiscal period provided to you is complete.
Yes No
15. We have disclosed to you *[list other matters as you have deemed appropriate]*.
Yes No
16. We have responded fully to all inquiries made by you during the engagement.
Yes No
17. We are not aware of any events that have occurred subsequent to December 31, 2017, that would require adjustment to or modification of the results of the agreed-upon procedures.
Yes No

The previous responses have been made to the best of our belief and knowledge.

Signature  Date 7.2.18

Title Mayor

Signature  Date 7-2-18

Title Town Clerk

Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Town of Homer
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Homer (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
The policy included the referenced functions.
Exceptions: None
 - 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.
The policy did not include (1), (2), or (3).
Exceptions: See above.
Management's Response: See Management's Corrective Action Plan
 - c) ***Disbursements***, including processing, reviewing, and approving
The policy discussed only the reviewing of disbursements.
Exceptions: See above.
Management's Response: See Management's Corrective Action Plan

- d) **Receipts**, including receiving, recording, and preparing deposits
The Town does not have such a policy.
Exceptions: See above.
Management's Response: See Management's Corrective Action Plan
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
The policy briefly discusses leave and overtime. The discussion is not in depth and does not include payroll processing or reviewing and approving time and attendance records.
Exceptions: See above.
Management's Response: See Management's Corrective Action Plan
- 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
The policy discusses the services requiring written contracts and the necessary legal review, but does not define the standard terms and conditions, approval process, or the monitoring process.
Exceptions: See above.
Management's Response: See Management's Corrective Action Plan
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
The policy discusses (1) how the cards are to be controlled but does not discuss (2) allowable business uses, (3) documentation requirements, (4) required approvers, or (5) monitoring card usage.
Exceptions: See above.
Management's Response: See Management's Corrective Action Plan
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
The policy discusses (1) allowable expenses, (3) documentation requirements, and (4) required approvers but does not discuss (2) dollar thresholds by category of expense.
Exceptions: See above.
Management's Response: See Management's Corrective Action Plan

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

The Town does not have such a policy.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan

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

The Town does not have such a policy.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan

Board (or Finance Committee, if applicable)

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

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

We obtained and reviewed the minutes for the Board. We did not identify any committees. The Board met at least monthly.

Exceptions: None

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

The minutes did not reference a monthly budget-to-actual comparison. However, we inspected the financial report for January 2018. It includes a comparison of actual remaining budget as opposed to budget to actual variance. Additionally, we noted that the budgets are not entered into the accounting system software. We recommend that management input the budgets into the accounting software to enable budget to actual comparisons at any date.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

We were not able to complete this procedure due to the comparisons not being presented. However, we noted no such deficits per the accounting records.

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

The minutes did reference non-budgetary information in at least one meeting.

Exceptions: None

Bank Reconciliations

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

We obtained a listing and noted the list was incomplete.

Exceptions: See above.

- 4. Using the listing provided by management, select all the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School Board activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

We selected seven of the nineteen accounts for testing and obtained bank statements and reconciliations.

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for all months.

Exceptions: None

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

None of the bank reconciliations show evidence of review.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.
Sixteen bank reconciliations included stale items that were more than six months old. We noted no evidence of research.
Exceptions: See above
Management's Response: See management's corrective action plan.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
We obtained the listing of cash collection locations and management's representation that the listing is complete.
Exceptions: None
6. Using the listing provided by management, select all the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School Board activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**
The entity has only two cash collection locations: town hall and the ball park concession stand.
- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
We requested bonding certificates but did not receive them. The Town has two cashiers at town hall that collect the majority of payments. The cashiers do not deposit cash, record transactions in the accounting system, or reconcile the bank account. The cashiers maintain separate cash drawers. During the year, for a short period, an employee operated a concession stand at the baseball park. That employee submitted collections to town hall for deposit and recording.
Exceptions: See above.
Management's Response: See management's corrective action plan.

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

We noted no such policy.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

We obtained deposit reports from the town's accounting system and calculated the highest week.

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

We obtained collection documentation, including deposit slips and receipt dates and traced each deposit to the bank statement. There were 563 collections/receipts in 27 deposits. We noted eleven receipts were not deposited within one day of collection.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

We used sequentially numbered receipts and system reports to verify that daily cash collections are completely supported by documentation.

Exceptions: See above.

Management's Response: See management's corrective action plan.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

We noted no such policy.

Exceptions: See above.

Management's Response: See management's corrective action plan.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

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

We obtained a copy of the QuickBooks files and exported check details.

We obtained management's representation that the listing is complete.

Exceptions: None

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

We selected 25 disbursements for testing. The disbursements for the general fund were haphazardly selected because there were many payroll checks written out of that fund, making random selection difficult. Disbursements for all other funds were selected using a random number generator.

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

The town's purchasing/disbursement policy states purchase requisitions and purchase orders are to be used to initiate purchases. No requisitions are used. Many items selected for testing did not require a purchase order because they were for routine monthly payments, such as for phones and copiers. Eight out of 25 sample items should have been supported by a purchase order. Only 3 out of 8 had purchase orders.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

One of three purchase orders was signed by someone other than the requestor. Two out of three purchase orders were not signed.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

See above comments regarding purchase orders and requisitions. Three out of twenty-five checks included purchases that should have been supported by a receiving report. Two out of three disbursements were not supporting by receiving documentation. All items were supported by an invoice or other proper support.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

The Town's policies do not document who is responsible for processing payments. Per inquiries, we identified the accounts payable clerk as the person who processes payments. She can add vendors to the entity's purchasing/disbursement system.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

Checks are signed by the Mayor and at least one board member. Board members do not initiate purchases.

Exceptions: None

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

We inquired of management and observed the supply of unused checks in the safe beside the treasurer's office. The safe is unlocked and open during the day and is locked at night. Access to unused checks is not necessarily restricted to those who do not have signatory authority, since the safe is in an open location and is not locked at all times.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

A signature stamp is used by the mayor. The mayor maintains the stamp under his control, or it is used only with his knowledge and consent. Per the mayor, signed checks are returned to the treasurer for mailing.

Exceptions: None

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

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

We obtained a listing of all active cards and management's representation that the listing is complete.

Exceptions: None

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

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

There were four cards on the list. We selected two cards for testing. We obtained the monthly statements for the selected cards. We selected the monthly statement with the largest dollar activity for each card.

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

There is no evidence that the monthly statements and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

We noted no finance charges and/or late fees assessed on the selected statements.

Exceptions: None

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

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

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

Four out of thirty selected charges were not supported by an original itemized receipt.

Fourteen out of thirty transactions were not supported by documentation of the business/public purpose. There were no meal charges selected.

We noted no other documentation requirements.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

We noted no transactions that were subject to the public bid law.

Exceptions: None

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

For each transaction, we compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value. We noted seven out of thirty transactions that may violate Article 7, Section 14 of the Louisiana Constitution. The transactions included sales tax which the town is not obligated to pay.

Exceptions: See above.

Management's Response: See management's corrective action plan.

Travel and Expense Reimbursement

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

We obtained a listing of all travel and related expense reimbursements for the fiscal period and management's representation that the listing is complete.

Exceptions: None

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

We obtained the entity's written policies related to travel and expense reimbursements. The Town's policy states that the Louisiana Travel Guide for state employees applies. We compared the amounts reimbursed to the rates established by GSA. The Town paid mileage and meals above the GSA rates in all three reimbursements tested.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

We selected the sample as required.

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

We compared expense documentation to written policies and noted all three reimbursements tested were paid more than the rates in the Louisiana Travel Guide.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

We noted no reimbursements that required original itemized receipts because the Town's policy provides for per diem rates. The business purpose was documented for all the tested expenses. We noted no other documentation required per town policy.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

We noted no expenses that appeared to violate the Constitution.

Exceptions: None

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

One of the three expense reimbursements was for the mayor. No one else signed the form. For two out of three reimbursements, the forms were properly reviewed and approved.

Exceptions: See above.

Management's Response: See management's corrective action plan.

Contracts

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

We obtained a listing of all contracts in effect during the fiscal period and management's representation that the listing is complete.

Exceptions: None

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

We selected the five contract vendors that were paid the most money during the fiscal period and obtained the related contracts and paid invoices.

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

We noted there is a formal written contract for each contract selected for testing. The contracts support the services arrangement and the amount paid.

Exceptions: None

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

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

None of the contracts selected for testing were subject to the Louisiana Public Bid Law or Procurement Code.

See above comment.

The entity did not solicit quotes any of the contracts tested.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

None of the contracts selected for testing were amended during the fiscal period.

Exceptions: None

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

We selected the largest payment from each of the five contracts, obtained the supporting invoice, and compared the invoice to the contract terms. Four out of five payments tested complied with the terms and conditions of the contract.

Exceptions: See above.

Management's Response: See management's corrective action plan.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Two of the selected contracts were approved by the board during the fiscal year. Three of the contracts were approved in prior years.

Exceptions: None

Payroll and Personnel

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

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

We obtained the listing, management's representation and personnel files for five selected employees. We noted no compensation that did not agree to pay rate change forms.

Exceptions: None

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

For three out of five pay rate changes, there was no documented approval of the changes.

Exceptions: None

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

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

We obtained payroll check registers and identified a pay period that included leave taken. We selected 25 employees/officials. Three of the twenty-five selected were council members that do not record attendance or leave. Six of the twenty-five selected were salaried and did not maintain an attendance record. The Town tracks leave balances in its accounting software. However, the Town uses the 2011 version of the software which does not produce reports of historical leave earned and used. There is only a report for the current leave balance. Therefore, we were not able to inspect leave records.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan.

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

Sixteen of the twenty-five selected recorded attendance. Seven of the attendance records included a supervisor's approval of attendance. Of the two employees that took leave, the supervisor's approval was not documented.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan.

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

The Town tracks leave balances in its accounting software. However, the Town uses the 2011 version of the software which does not produce reports of historical leave earned and used. There is only a report for the current leave balance. Therefore, we were not able to inspect leave records.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan.

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

We obtained a list of terminated employees and management's representation that the list is complete. The list indicated that one employee received a termination payment. The employee was paid for 90 hours of vacation leave. Town policy says the employee cannot carry over accrued vacation leave. However, it does not address whether an employee can be paid for vacation accrued at the time of termination. The payment was not formally approved.

Exceptions: See above.

Management's Response: See Management's Corrective Action Plan.

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

We obtained the available documentation for payroll taxes and retirement contributions during the period. Due to the lack of documentation of the filing dates, we were unable to verify that one of the four IRS form 941s was filed on time. All federal payroll tax payments were made in a timely manner. One of the four Louisiana Form L-1s and the corresponding payment was submitted past the due date. All retirement contributions were remitted timely. However, the filing dates were not documented for several of the reports. Therefore, we were unable to determine whether the reports were filed timely.

Exceptions: See above.

Management's Response: See management's corrective action plan.

Ethics (excluding nonprofits)

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

For three of the five employees/officials selected in procedure #22, the Town did not have documentation to demonstrate that required ethics training was completed.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

Management was not aware of any alleged ethics violations or reports of alleged ethics violations during the fiscal period.

Debt Service (excluding nonprofits)

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

We noted no new debt.

Exceptions: None.

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

The Town made scheduled debt service payments as required. The Town has not maintained debt reserves, as required by debt covenants.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

We noted no such millages.

Exceptions: None.

Other

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

Management stated they knew of no misappropriations of public funds or assets.

Exceptions: None.

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

We observed the notice posted in the lobby of the Town Hall building. However, it is not posted on the Town's website.

Exceptions: See above.

Management's Response: See management's corrective action plan.

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

See comments under other procedures.

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.

BOSCH & STATHAM, LLC

Bosch & Statham

Ruston, Louisiana
June 29, 2018