

**TOWN OF ABITA SPRINGS, LOUISIANA**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018**



**ERICKSEN KRENTEL**<sup>LLP</sup>  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT .....	1 – 3
REQUIRED SUPPLEMENTARY INFORMATION – PART I	
Management's Discussion and Analysis.....	4 – 7
BASIC FINANCIAL STATEMENTS	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Position .....	8
Statement of Activities.....	9
<u>Fund Financial Statements:</u>	
Governmental Funds:	
Balance Sheet .....	10
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities .....	13
Proprietary Fund:	
Statement of Net Position.....	14
Statement of Revenues, Expenses, and Changes in Net Position .....	15
Statement of Cash Flows.....	16 – 17
Notes to Financial Statements .....	18 – 41
REQUIRED SUPPLEMENTARY INFORMATION – PART II	
Budgetary Comparison Schedule – General Fund .....	42 – 43
Budgetary Comparison Schedule – Shared Sales Tax Fund.....	44
Budgetary Comparison Schedule – Special Sales Tax Fund.....	45
Budgetary Comparison Schedule – Cemetery Fund.....	46
Schedule of Proportionate Share of the Net Pension Liability .....	47
Schedule of Contributions – Retirement Plan.....	48
Notes to the Required Supplementary Information. ....	49

## TABLE OF CONTENTS (CONTINUED)

### OTHER SUPPLEMENTARY INFORMATION

#### Non-major Governmental Funds:

Combining Balance Sheet .....	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	51
Schedule of Compensation Paid to the Members of the Board of Aldermen .....	52
Schedule of Compensation, Benefits and Other Payments to Agency Head.....	53

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	54 – 55
Schedule of Findings and Responses .....	56
Summary Schedule of Prior Year Findings.....	57



## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and Board of Aldermen  
Town of Abita Springs, 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 Abita Springs, Louisiana (the "Town"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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



To the Honorable Mayor and Board of Aldermen  
Town of Abita Springs, Louisiana  
June 15, 2019

***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 Abita Springs, Louisiana, as of December 31, 2018, 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, schedules of revenue, expenditures, and changes in fund balance – budget and actual, schedule of proportionate share of the net pension liability, and schedule of contributions – retirement plan, and the related notes to the required supplementary information on page 4 to 7 and 42 to 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying combining nonmajor governmental fund financial statements, schedule of compensation to aldermen and schedule of compensation, benefits and other payments to the agency head are presented to comply with the requirements issued by the State of Louisiana and are not a required part of the basic financial statements.



To the Honorable Mayor and Board of Aldermen  
Town of Abita Springs, Louisiana  
June 15, 2019

The schedule of compensation to aldermen and schedule of compensation, benefits, and other payments to the agency head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules 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 15, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Mandeville, Louisiana  
June 15, 2019

  
Certified Public Accountants

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2018**

As management of the Town of Abita Springs, Louisiana (the "Town"), we offer residents of the Town this narrative overview and financial analysis of the financial activities of the Town as of December 31, 2018, and for the year then ended.

**Overview of Financial Statements**

The Town adopted Governmental Accounting Standards Board (GASB) Statement No. 34 on January 1, 2004. Under this pronouncement, the Town's basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and the results of its operations from differing perspectives, which are described as follows:

**Government-Wide Financial Statements**

The government-wide financial statements report information about the Town as a whole using an accounting method similar to that used by private-sector companies. The basis of accounting used is accrual accounting. The government-wide statements reflect all of the Town's assets (including capital assets) and all of the Town's liabilities. The two government-wide financial statements are as follows:

- **Statement of Net Position:** This statement presents information on all of the Town's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- **Statement of Activities:** This statement presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

**Fund Financial Statements**

A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. The Town has two types of funds:

1. *Governmental Funds* - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The Town's major governmental funds are the General Fund, the Shared Sales Tax Fund, the Special Sales Tax Fund, the Cemetery Fund, and the Debt Service Fund.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
DECEMBER 31, 2018

2. *Proprietary Funds* - These funds are used to account for activities that function in a manner similar to commercial enterprises. Proprietary fund financial statements typically provide a more detailed presentation of the information reported in the business-type activities portion of the government-wide financial statements. The Town's major proprietary fund is the Utility Fund.

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 18 of this report.

**Financial Highlights**

At December 31, 2018, the Town's assets exceeded its liabilities by \$4,705,980 (net position). Of this amount, \$371,778 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens and creditors. The Town's total net position increased by \$490,602, for the year ended December 31, 2018.

At December 31, 2018, the Town's governmental funds reported combined ending fund balances of \$1,545,843. Compared to prior year, the total combined fund balance increased by \$107,123 for the year ended December 31, 2018.

**Financial Analysis of the Town as a Whole**

A condensed version of the government-wide Statements of Net Position is presented as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>				
Current assets	\$ 1,611,381	\$ 486,779	\$ 2,098,160	\$ 1,871,017
Other assets	21,004	809,967	830,971	500,204
Capital assets	<u>2,741,409</u>	<u>2,650,192</u>	<u>5,391,601</u>	<u>4,724,911</u>
Total assets	<u>4,373,794</u>	<u>3,946,938</u>	<u>8,320,732</u>	<u>7,096,132</u>
<b>Total deferred outflows of resources</b>	84,130	149,563	233,693	269,727
<b>Liabilities</b>				
Current and other liabilities	303,069	973,057	1,276,126	781,254
Long-term liabilities	<u>1,329,176</u>	<u>1,187,243</u>	<u>2,516,419</u>	<u>2,314,921</u>
Total liabilities	<u>1,632,245</u>	<u>2,160,300</u>	<u>3,792,545</u>	<u>3,096,175</u>
<b>Total deferred inflows of resources</b>	20,124	35,776	55,900	54,306
<b>Net position</b>				
Net investments in capital assets	1,549,097	1,771,866	3,320,963	3,245,501
Restricted	668,685	344,554	1,013,239	923,634
Unrestricted	<u>587,773</u>	<u>(215,995)</u>	<u>371,778</u>	<u>46,243</u>
Total net position	<u>\$ 2,805,555</u>	<u>\$ 1,900,425</u>	<u>\$ 4,705,980</u>	<u>\$ 4,215,378</u>

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
DECEMBER 31, 2018

The net investment in capital assets amount represents 71% of total net position. Net investment in capital assets consists of land, buildings, and equipment, less any outstanding debt used to acquire those assets. The Town has elected not to retroactively record, as capital assets, its infrastructure that existed prior to adopting GASB 34.

A condensed version of the government-wide Statements of Activities is presented as follows:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 36,350	\$ 39,305	\$ 1,925,990	\$ 1,734,165	\$ 1,962,340	\$ 1,773,470
Operating grants and contributions	11,431	18,163	-	-	11,431	18,163
Capital grants and contributions	-	-	9,369	59,417	9,369	59,417
General revenues						
Taxes	1,484,692	1,417,829	-	-	1,484,692	1,417,829
Licenses and permits	152,517	166,559	-	-	152,517	166,559
Fines and forfeitures	96,580	63,460	27,440	11,046	124,020	74,506
Investment earnings	2,616	1,435	497	257	3,113	1,692
Museum income	38,259	32,914	-	-	38,259	32,914
Other	128,800	118,210	16,448	15,480	145,248	133,690
<b>Total revenues</b>	<u>1,951,245</u>	<u>1,857,875</u>	<u>1,979,744</u>	<u>1,820,365</u>	<u>3,930,989</u>	<u>3,678,240</u>
<b>Expenses</b>						
General government	828,714	731,987	-	-	828,714	731,987
Public safety	348,669	354,807	-	-	348,669	354,807
Public works	467,915	424,834	-	-	467,915	424,834
Cemetery	10,574	6,299	-	-	10,574	6,299
Culture and recreation	50,701	49,748	-	-	50,701	49,748
Grants	20,170	18,905	-	-	20,170	18,905
Utilities	-	-	1,670,215	1,822,534	1,670,215	1,822,534
Interest on long-term debt	27,156	32,014	16,273	17,901	43,429	49,915
<b>Total expenses</b>	<u>1,753,899</u>	<u>1,618,594</u>	<u>1,686,488</u>	<u>1,840,435</u>	<u>3,440,387</u>	<u>3,459,029</u>
Change in net position	197,346	239,281	293,256	(20,070)	490,602	219,211
Net position – beginning	<u>2,608,209</u>	<u>2,368,928</u>	<u>1,607,169</u>	<u>1,627,239</u>	<u>4,215,378</u>	<u>3,996,167</u>
Net position – ending	<u>\$ 2,805,555</u>	<u>\$ 2,608,209</u>	<u>\$ 1,900,425</u>	<u>\$ 1,607,169</u>	<u>\$ 4,705,980</u>	<u>\$ 4,215,378</u>

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2018**

**Financial Analysis of the Major Funds**

The Town's General Fund, Shared Sales Tax Fund, Special Sales Tax Fund, Cemetery Fund, and Debt Service Fund had increases (decreases) in fund balances in the amount of \$72,722, \$40,818, \$(9,977), \$4,083, and \$18,486 respectively, for the year ended December 31, 2018. Total governmental fund amounts are different from governmental activities due to capital assets and long-term debt.

Amounts reported for business-type activities in the Town's individual funds are identical to business-type activities reported in the government-wide presentation.

**Budget Highlights**

As required by law, the Town adopted a budget for its General Fund, Shared Sales Tax Fund, Special Sales Tax Fund, and Cemetery Fund.

**Capital Asset Administration**

For governmental activities, capital assets, net of accumulated depreciation, decreased by \$153,286 for the year ended December 31, 2018, as a result of depreciation expense exceeding purchases of assets for the year. For business-type activities, capital assets, net of accumulated depreciation, increased by \$513,404 as a result of purchases exceeding depreciation expense for the year.

**Debt Administration**

The Town's total long-term debt increased by \$229,799 during the year ended December 31, 2018, as the result of new debt issues exceeding regularly scheduled debt payments.

**Requests for Information**

This financial report is designed to provide a general overview of the Town's finances. Questions concerning this report or the need for additional information should be directed to Janet Dufrene, Municipal Clerk, P.O. Box 461, Abita Springs, Louisiana 70420.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**STATEMENT OF NET POSITION**  
DECEMBER 31, 2018

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS:</u></b>			
Cash and cash equivalents	\$ 859,991	\$ 86,914	\$ 946,905
Equity in pooled cash	290,831	-	290,831
Receivables, net of allowances for uncollectibles	460,559	392,569	853,128
Prepaid items	-	7,296	7,296
Cash and cash equivalents - restricted	21,004	809,967	830,971
Capital assets not being depreciated	521,339	571,454	1,092,793
Capital assets being depreciated, net of accumulated depreciation	2,220,070	2,078,738	4,298,808
Total assets	4,373,794	3,946,938	8,320,732
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>			
Pensions	84,130	149,563	233,693
Total deferred outflows of resources	84,130	149,563	233,693
<b><u>LIABILITIES:</u></b>			
Accounts payable	57,628	191,105	248,733
Accrued expenses	17,352	5,170	22,522
Pooled cash in other funds	-	290,830	290,830
Accrued interest payable	7,404	4,693	12,097
Meter deposits	-	151,285	151,285
Compensated absences	7,720	16,974	24,694
Net pension liability	349,829	621,917	971,746
Lease payable:			
Due within one year	89,965	-	89,965
Due in more than one year	245,347	-	245,347
Bonds payable:			
Due within one year	108,000	287,000	395,000
Due in more than one year	734,000	483,326	1,217,326
Certificate of indebtedness:			
Due within one year	15,000	26,000	41,000
Due in more than one year	-	82,000	82,000
Total liabilities	1,632,245	2,160,300	3,792,545
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Pensions	20,124	35,776	55,900
Total deferred inflows of resources	20,124	35,776	55,900
<b><u>NET POSITION:</u></b>			
Net investment in capital assets	1,549,097	1,771,866	3,320,963
Restricted for:			
Dedicated sales tax usage	358,861	-	358,861
Dedicated ad valorem tax usage	31,580	-	31,580
Debt service	278,198	-	278,198
Capital projects	46	-	46
Construction	-	502	502
Meter deposits	-	-	-
Bond covenants	-	344,052	344,052
Unrestricted net position (deficit)	587,773	(215,995)	371,778
Total net position	\$ 2,805,555	\$ 1,900,425	\$ 4,705,980

The accompanying notes are an integral part of this statement

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities:</b>							
General government	\$ 828,714	\$ 21,950	\$ 11,431	\$ -	\$ (795,333)	\$ -	\$ (795,333)
Public safety	348,669	-	-	-	(348,669)	-	(348,669)
Public works	467,915	-	-	-	(467,915)	-	(467,915)
Cemetery	10,574	14,400	-	-	3,826	-	3,826
Culture and recreation	50,701	-	-	-	(50,701)	-	(50,701)
Grants	20,170	-	-	-	(20,170)	-	(20,170)
Interest on long-term debt	27,156	-	-	-	(27,156)	-	(27,156)
Total governmental activities	1,753,899	36,350	11,431	-	(1,706,118)	-	(1,706,118)
<b>Business-type Activities:</b>							
Utilities	1,670,215	1,925,990	-	9,369	-	265,144	265,144
Interest on long-term debt	16,273	-	-	-	-	(16,273)	(16,273)
Total business-type activities	1,686,488	1,925,990	-	9,369	-	248,871	248,871
Total primary government	\$ 3,440,387	\$ 1,962,340	\$ 11,431	\$ 9,369	(1,706,118)	248,871	(1,457,247)
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes					371,211	-	371,211
Franchise taxes					130,887	-	130,887
Sales taxes					976,007	-	976,007
Other taxes					6,587	-	6,587
Licenses and permits					49,644	-	49,644
Fines and forfeitures					96,580	27,440	124,020
Insurance licenses					102,873	-	102,873
Investment earnings					2,616	497	3,113
Museum income					38,259	-	38,259
Other general revenues					128,800	16,448	145,248
Total general revenues					1,903,464	44,385	1,947,849
Change in net position					197,346	293,256	490,602
Net position - beginning of year					2,608,209	1,607,169	4,215,378
Net position - end of year					\$ 2,805,555	\$ 1,900,425	\$ 4,705,980

The accompanying notes are an integral part of this statement

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	<b>ASSETS</b>						Total Governmental Funds
	<b>Special Revenue Funds</b>						
General Fund	Shared Sales Tax Fund	Special Sales Tax Fund	Cemetery Fund	Debt Service Fund	Non-Major Governmental Funds		
<b><u>CURRENT ASSETS:</u></b>							
Cash and cash equivalents	\$ 401,042	\$ 191,777	\$ -	\$ 166,385	\$ 100,787	\$ -	\$ 859,991
Equity in pooled cash	137,851	63,614	32,887	34,090	54,444	46	322,932
Receivables							
Property taxes, net	168,751	-	-	-	107,170	64,302	340,223
Sales taxes	27,885	25,501	27,885	-	-	-	81,271
Other	39,065	-	-	-	-	-	39,065
Due from other funds	-	41,524	-	33,725	-	-	75,249
Cash and cash equivalents - restricted	-	-	-	-	-	21,004	21,004
<b>Total assets</b>	<b>\$ 774,594</b>	<b>\$ 322,416</b>	<b>\$ 60,772</b>	<b>\$ 234,200</b>	<b>\$ 262,401</b>	<b>\$ 85,352</b>	<b>\$ 1,739,735</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b><u>LIABILITIES:</u></b>							
Accounts payable	\$ 28,840	\$ 8,429	\$ 15,898	\$ 4,460	\$ -	\$ -	\$ 57,627
Accrued expenses	17,352	-	-	-	-	-	17,352
Pooled cash in other funds	-	-	-	-	-	32,102	32,102
Due to other funds	75,249	-	-	-	-	-	75,249
<b>Total liabilities</b>	<b>121,441</b>	<b>8,429</b>	<b>15,898</b>	<b>4,460</b>	<b>-</b>	<b>32,102</b>	<b>182,330</b>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>							
Unavailable revenue - property taxes	5,735	-	-	-	3,642	2,185	11,562
<b>Total deferred inflows of resources</b>	<b>5,735</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,642</b>	<b>2,185</b>	<b>11,562</b>
<b><u>FUND BALANCES:</u></b>							
Restricted, reported in							
Special revenue funds	-	313,987	-	-	-	31,580	345,567
Debt service	-	-	-	-	258,759	19,439	278,198
Committed	-	-	-	229,740	-	-	229,740
Unassigned	647,418	-	44,874	-	-	46	692,338
<b>Total fund balances</b>	<b>647,418</b>	<b>313,987</b>	<b>44,874</b>	<b>229,740</b>	<b>258,759</b>	<b>51,065</b>	<b>1,545,843</b>
<b>Total liabilities and fund balances</b>	<b>\$ 774,594</b>	<b>\$ 322,416</b>	<b>\$ 60,772</b>	<b>\$ 234,200</b>	<b>\$ 262,401</b>	<b>\$ 85,352</b>	<b>\$ 1,739,735</b>

The accompanying notes are an integral part of this statement

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
DECEMBER 31, 2018

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

Funds balances, total governmental funds	\$	1,545,843
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		2,741,409
Deferred outflows of resources related to pensions are not reported in governmental funds		84,130
Deferred inflows of resources related to pensions are not reported in governmental funds		(20,124)
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Accrued interest		(7,404)
Compensated absences		(7,720)
Pension liability		(349,829)
Lease payable		(335,312)
Certificates of indebtedness		(15,000)
Bonds payable		(842,000)
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the governmental funds.		11,562
Net position of governmental activities	\$	2,805,555

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Special Revenue Funds				Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Shared Sales Tax Fund	Special Sales Tax Fund	Cemetery Fund			
<b>REVENUES:</b>							
Taxes							
Property taxes	\$ 185,203	\$ -	\$ -	\$ -	\$ 117,618	\$ 70,574	\$ 373,395
Franchise taxes	130,887	-	-	-	-	-	130,887
Sales taxes	344,212	287,583	344,212	-	-	-	976,007
Other	6,587	-	-	-	-	-	6,587
Fines and forfeitures	96,580	-	-	-	-	-	96,580
Insurance licenses	102,873	-	-	-	-	-	102,873
Other revenues	128,700	-	-	100	-	-	128,800
Licenses and permits	49,644	-	-	-	-	-	49,644
Museum income	38,259	-	-	-	-	-	38,259
Donations	6,161	-	-	-	-	-	6,161
Sale of cemetery plots	-	-	-	14,400	-	-	14,400
Rentals	21,950	-	-	-	-	-	21,950
Interest income	1,094	234	-	157	78	1,053	2,616
Total revenues	<u>1,112,150</u>	<u>287,817</u>	<u>344,212</u>	<u>14,657</u>	<u>117,696</u>	<u>71,627</u>	<u>1,948,159</u>
<b>EXPENDITURES:</b>							
General government	599,804	-	-	-	-	68,291	668,095
Public safety	293,199	-	-	-	-	-	293,199
Public works	-	123,906	344,009	-	-	-	467,915
Clerk of court	55,471	-	-	-	-	-	55,471
Cemetery	-	-	-	10,574	-	-	10,574
Culture and recreation	27,950	-	10,180	-	-	-	38,130
Grants	20,170	-	-	-	-	-	20,170
Capital outlay	42,834	284,948	-	-	-	-	327,782
Debt service:							
Principal	-	71,347	-	-	85,000	60,000	216,347
Interest	-	3,746	-	-	14,210	10,345	28,301
Total expenditures	<u>1,039,428</u>	<u>483,947</u>	<u>354,189</u>	<u>10,574</u>	<u>99,210</u>	<u>138,636</u>	<u>2,125,984</u>
Excess (deficiency) of revenues over (under) expenditures	<u>72,722</u>	<u>(196,130)</u>	<u>(9,977)</u>	<u>4,083</u>	<u>18,486</u>	<u>(67,009)</u>	<u>(177,825)</u>
<b>OTHER FINANCING SOURCES:</b>							
Proceeds from issuance of long-term debt	-	284,948	-	-	-	-	284,948
Transfers in	-	-	-	-	-	48,000	48,000
Transfers out	-	(48,000)	-	-	-	-	(48,000)
Total other financing sources (uses)	<u>-</u>	<u>236,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,000</u>	<u>284,948</u>
Net change in fund balances	72,722	40,818	(9,977)	4,083	18,486	(19,009)	107,123
Fund balances - beginning of year	574,696	273,169	54,851	225,657	240,273	70,074	1,438,720
Fund balances - end of year	<u>\$ 647,418</u>	<u>\$ 313,987</u>	<u>\$ 44,874</u>	<u>\$ 229,740</u>	<u>\$ 258,759</u>	<u>\$ 51,065</u>	<u>\$ 1,545,843</u>

The accompanying notes are an integral part of this statement

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Net change in fund balances, total governmental funds	\$	107,123
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.		(101,664)
Repayment of debt principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		216,347
Under the modified accrual basis of accounting used in the governmental funds, advances of derived tax revenues is not recognized until received, rather than as it is earned. This is the amount by which prior year advances of derived tax revenues recognized of \$13,747 exceeded current advances of derived tax revenues recognized of \$11,563.		(2,184)
Proceeds from new borrowings are reported as other financing sources in governmental funds, but are treated as debt on Statement of Net Position and not as revenue in the government-wide presentation.		(30,300)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences		10,237
Pensions		(8,628)
Non-employer contributions for pensions		5,270
Accrued interest		1,145
		197,346
Change in net position of governmental activities	\$	197,346

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
DECEMBER 31, 2018

**ASSETS:**

Current assets:	
Cash and cash equivalents	\$ 86,914
Accounts receivable, net	392,569
Prepaid insurance	7,296
Total current assets	<u>486,779</u>
Restricted assets:	
Cash and cash equivalents	809,465
Cash - construction	502
Total restricted assets	<u>809,967</u>
Long-term assets:	
Capital assets, net	2,650,192
Total long-term assets	<u>2,650,192</u>
Total assets	<u>3,946,938</u>

**DEFERRED OUTFLOWS OF RESOURCES:**

Pensions	<u>149,563</u>
Total deferred outflows of resources	<u>149,563</u>

**LIABILITIES:**

Current liabilities:	
Accounts payable	191,105
Accrued wages	5,170
Compensated absences	16,974
Pooled cash in other funds	290,830
Total current liabilities	<u>504,079</u>
Current liabilities (payable from restricted assets):	
Accrued interest payable	4,693
Revenue bonds payable, current portion	287,000
Certificate of indebtedness, current portion	26,000
Customer meter deposits	151,285
Total current liabilities (payable from restricted assets)	<u>468,978</u>
Non-current liabilities:	
Net pension liability	621,917
Revenue bonds, net of current portion	483,326
Certificate of indebtedness, net of current portion	82,000
Total noncurrent liabilities	<u>1,187,243</u>
Total liabilities	<u>2,160,300</u>

**DEFERRED INFLOWS OF RESOURCES:**

Pensions	<u>35,776</u>
Total deferred inflows of resources	<u>35,776</u>

**NET POSITION:**

Net investment in capital assets	1,771,866
Restricted	344,554
Unrestricted	<u>(215,995)</u>
Total net position	<u>\$ 1,900,425</u>

The accompanying notes are an integral part of this statement

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**OPERATING REVENUES:**

Charges for services:		
Gas sales	\$	585,700
Water sales		342,581
Sewer service charges		533,749
Garbage collection fees		271,911
Impact fees		45,000
Fines and fees		27,440
Miscellaneous and other fees		147,049
Total operating revenues		<u>1,953,430</u>

**OPERATING EXPENSES:**

Administrative and general	254,276
Gas purchased	254,402
Gas system	204,721
Water system	230,801
Sewerage system	394,095
Garbage collection	227,120
Depreciation	104,800
Total operating expenses	<u>1,670,215</u>

Operating loss	<u>283,215</u>
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**NON-OPERATING REVENUES (EXPENSES):**

Capital grants	9,369
Cell tower lease	16,448
Interest expense	(16,273)
Interest income	497
Total non-operating revenues	<u>10,041</u>

Change in net position	293,256
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Net position - beginning of the year	<u>1,607,169</u>
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Net position - end of the year	<u>\$ 1,900,425</u>
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**TOWN OF ABITA SPRINGS, LOUISIANA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
FOR THE YEAR ENDED DECEMBER 31, 2018

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from customers and users	\$ 1,807,991
Payments to suppliers	(1,131,144)
Payments to employees	<u>(379,750)</u>
Net cash provided by operating activities	<u>297,097</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING**

**ACTIVITIES:**

Increase in meter deposits	12,986
Interfund borrowings	<u>179,262</u>
Net cash provided by non-capital financing activities	<u>192,248</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING**

**ACTIVITIES:**

Capital grant	9,369
Receipts from tower lease	16,448
Purchase of capital assets	(618,204)
Proceeds from long-term debt	500,515
Interest paid on leases, bonds, and certificates	(16,273)
Principal paid on bonds and certificates	<u>(38,000)</u>
Net cash (used) by capital and related financing activities	<u>(146,145)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest earned on investments and certificates	<u>497</u>
Net cash provided by investing activities	<u>497</u>
Net increase in cash and cash equivalents	343,697
Cash and cash equivalents - beginning of year	<u>553,184</u>
Cash and cash equivalents - end of year	<u>\$ 896,881</u>

The accompanying notes are an integral part of this statement

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Reconciliation of operating income (loss) to net cash  
provided (used) by operating activities:**

Operating income	\$	283,215
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		104,800
Pension expense		5,969
Change in asset and liabilities:		
(Increase) decrease in accounts receivable		(145,439)
Increase (decrease) in accounts payable		39,616
Increase (decrease) in accrued expenses		3,391
Increase (decrease) in compensated absences		<u>5,545</u>
Net cash provided by operating activities	\$	<u>297,097</u>

The accompanying notes are an integral part of this statement

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**INTRODUCTION**

The Town of Abita Springs, Louisiana (the Town) was incorporated in 1914, under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Abita Springs, Louisiana conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:517. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of certain significant accounting policies.

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in its own name).
- The Town holds the corporate powers of the organization.
- The Town appoints a voting majority of the organization's board.
- The Town is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the Town.
- There is a fiscal dependency by the organization on the Town.
- Based on the aforementioned criteria, the Town has no component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

Separate fund financial statements are provided for the Town's governmental funds and proprietary fund.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

Property taxes are considered to be collected when they are collected by the St. Tammany Parish Sheriff. Property taxes collected after 60 days are recorded as a deferred inflow on the governmental funds balance sheet. Franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports these governmental funds and fund types:

**General Fund** - The General Fund is the general operating fund of the Town. This fund is used to account for all financial transactions and resources except those that are required to be accounted for in another fund. Revenues are derived primarily from sales, property, and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than debt service or capital projects) that are restricted or committed to expenditure for specified purposes. The Shared Sales Tax Fund, the Special Sales Tax Fund, and the Cemetery Fund are considered to be major funds. The Lighting Fund and Parks/Playground Fund are considered to be non-major funds.

**Debt Service Funds** - Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs. The Town has one Debt Service Fund which is considered major. The 2010 Debt Service Fund is considered to be a non-major fund.

**Capital Projects Fund** - The Capital Projects Fund is used to account for the construction of infrastructure and public works. The Town's Capital Projects Fund is considered to be a non-major fund.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

The Town uses a proprietary fund to account for the natural gas, water, sewer, and garbage collection services it provides to the residents and businesses of the Town.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues for the Town's proprietary fund consist of charges to customers and users of its natural gas, water, sewer, and garbage collection services. Operating expenses for the Town's proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Budgets and Budgetary Accounting**

At the beginning of each fiscal year, an annual budget is prepared. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. Payments under capital leases are treated as expenditures in the year of payment for budgetary purposes. The Town does not use encumbrance accounting. At the end of the fiscal year, unexpended appropriations of these funds automatically lapse.

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

- a. The Mayor, Board of Aldermen, Town Clerk, and other advisory personnel assemble the necessary financial information.
- b. The proposed budget is made available for public inspection.
- c. A public hearing is held for any recommendations or changes to the budget. The budget is legally adopted through passage of an ordinance by the Board of Aldermen.

During the year ended December 31, 2018, the Town amended its General Fund, Utility Fund, Special Sales Tax Fund, Shared Sales Tax Fund, Cemetery Fund, Lighting Fund, and Parks/Playground Fund budgets.

**Cash, Cash Equivalents, and Investments**

Cash balances of all funds are combined to the extent possible. Interest earned on deposits is distributed to the individual funds based on the investment balances of the participating funds during the year. Each fund's portion of the pooled cash is included in equity or deficit in pooled cash on the accompanying financial statements.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

For the purpose of the proprietary fund statement of cash flows, all highly liquid investments (including certificates of deposit) with a maturity of three months or less when purchased are considered to be cash equivalents.

Cash and cash equivalents include amounts in demand deposits. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

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

Short-term investments are stated at amortized cost, which approximates market. Certain investments, as required by GASB 31, are reported at fair value, which is determined using published market prices.

**Investments**

State Law R.S. 33:2955 allows the investment in direct United States Treasury obligations; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or U.S. government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book-entry-only securities guaranteed by the U.S. government; time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana; savings accounts or shares of certain savings and loan associations and savings banks; certain accounts of federally or state chartered credit unions, and certain mutual or trust fund institutions.

Investments are stated at fair value in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 31 "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*".

**Sales Taxes**

The Town imposes the following sales and use taxes:

- The original 1965 1% sales and use tax passed by voters is to be used for constructing, improving, maintaining, and operating recreational facilities; constructing, maintaining, re-surfacing, lighting, and improving public streets; constructing sidewalks and bridges; acquiring and maintaining a garbage disposal site and garbage collection equipment, and purchasing equipment for all of the public works and departments of the Town. The proceeds from this sales and use tax are accounted for in the Special Sales Tax Special Revenue Fund.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Sales Taxes (Continued)**

- Pursuant to the Growth Management and Revenue Sharing Agreement between the Town and St. Tammany Parish (the Parish) dated December 21, 2006, the Town collects the 2% sales and use tax imposed by the Parish on the growth management area surrounding the Town. The proceeds from the tax are to be used for projects that benefits residents of the growth management area. The proceeds from this sales and use tax are accounted for in the Shared Sales Tax Special Revenue Fund.
- The additional 1983 1% sales and use tax proceeds are to be split in half. Fifty percent is to be used to defray expenses borne by or from the Police Fund and the other fifty percent is to be used for the supplementation of and the performance of all other duties and services funded from the General Fund. The proceeds from this sales and use tax are accounted for in the General Fund.

**Compensated Absences**

Employees accrue vacation leave at the rate of 5 to 25 days per anniversary year, according to years of service with the Town. Employees may carry over a maximum of five unused vacation days after their anniversary date into the next year. Employees accrue sick leave of up to 10 days per year. Employees are allowed to carry forward unused sick leave from year to year. Upon termination, or at retirement, employees are paid for unused vacation leave at the discretion of the Town. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the General Fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

**Long-Term Debt**

In the government-wide financial statements, debt principal payments of both governmental and business-type activities are reported as decreases in the balance of the liability on the statement of net position. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System of Louisiana and additions to/deductions from the system's fiduciary net position have been determined on the same basis as they are reported by the system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Outstanding balances between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/ due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectability of the receivable. The allowance was \$70,870, at December 31, 2018.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost, or estimated cost if historical cost is not available.

Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$2,500 or more for capitalizing equipment, furniture, and fixtures. The threshold for infrastructure and improvements is \$25,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital outlays are recorded as expenditures in the governmental fund financial statements and as assets in the government-wide financial statements. In accordance with GASB 34, the Town has elected not to capitalize infrastructure retroactively. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the proprietary fund are recorded as fixed assets and depreciated over their estimated useful lives on both the fund basis and the government-wide basis.

All capital assets, other than land and works of art that are inexhaustible, are depreciated using the straight-line method over the following useful lives:

Infrastructure	40 years
Buildings and building improvements	20 to 40 years
Utility systems	30 to 40 years
Furniture and fixtures	7 years
Vehicles	5 years
Equipment	3 to 15 years

**Fund Equity**

Government-Wide and Proprietary Fund Statements - equity is classified as net position and displayed in three components:

1. Net Investment in Capital Assets - Consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation.
2. Restricted - This component of net position consists of assets that have constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted - All other net position is reported in this category.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Equity (continued)**

In the governmental fund financial statements, fund balances are classified as follows:

1. Restricted Fund Balance - Amounts that are restricted to specific purposes imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments.
2. Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Aldermen.
3. Unassigned Fund Balance - All amounts not included in other spendable classifications.

**Interfund Transactions**

Permanent re-allocation of resources between funds of the Town is classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**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 at the date of the financial statements, and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

Subsequent events have been evaluated through June 15, 2019, which is the date the financial statements were available to be issued.

**(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Deposit and Investment Laws and Regulations**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. At December 31, 2018, the Town was in compliance with the deposit and investment laws and regulations.

**(3) CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be recovered. The Town's deposit policy for custodial credit risk is that all uninsured deposits be collateralized by pledged securities as required by state law.

As of December 31, 2018, \$1,518,353 of the Town's bank balance of \$1,855,772 was exposed to custodial credit risk. However, these deposits are secured from risk by the pledge of securities owned by the fiscal agent bank.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(3) CASH AND CASH EQUIVALENTS (CONTINUED)**

**Custodial Credit Risk (continued)**

The following is a reconciliation of cash and cash equivalents per the statement of net position of the proprietary fund to the cash and cash equivalents per the statement of cash flows:

Cash and cash equivalents per Statement of Net Position	
Cash on hand and in bank	\$ 86,914
Restricted:	
Meter deposits	147,720
Bond sinking	426,624
Bond reserve	109,306
Capital additions and contingency	113,266
Cash construction	502
Sewer debt service	<u>12,549</u>
Total restricted	<u>809,967</u>
Total cash and cash equivalents per Statement of Cash Flows	<u>\$ 896,881</u>

**(4) RECEIVABLES**

The net receivables at December 31, 2018, were as follows:

	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>Special Revenue Funds</u>	<u>Proprietary Fund</u>	<u>Total</u>
Taxes					
Property	\$ 168,751	\$ 107,170	\$ 64,302	\$ -	\$ 340,223
Sales and use	27,885	-	53,386	-	81,271
Other	39,065	-	-	-	39,065
Utility accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>392,569</u>	<u>392,569</u>
Totals	<u>\$ 235,701</u>	<u>\$ 107,170</u>	<u>\$ 117,688</u>	<u>\$ 392,569</u>	<u>\$ 853,128</u>

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Total allowance for doubtful accounts amounted to \$17,907 for the governmental funds and \$70,870 for the business-type activities.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(5) PROPERTY TAXES**

Property taxes are normally levied and billed in November of each year and are due by December 31<sup>st</sup> of the year levied. Revenues are recognized when levied to the extent they are determined to be currently collectible. Property taxes are billed and collected using the assessed values determined by the Tax Assessor of St. Tammany Parish. The property taxes receivable are recorded net of allowance of \$17,907 on the accompanying balance sheet. For the year ended December 31, 2018, the Town levied taxes of 7.86 mills for general purposes, 5.00 mills for debt service, 1.00 mill for town lighting, and 2.00 mills for parks and playground expenditures.

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

	Assessed Valuation	% of Total Assessed Value
Central LA Elec Co.	\$ 614,430	2.72%
Abita Lumber Co Inc.	305,380	1.35%
Stirling Walgreens 2010, LLC	261,324	1.16%
Longbranch Real Estate Holdings	237,335	1.05%
Home Bank	203,429	0.90%
Walgreens #11996	173,200	0.77%
Phillips Building Supply	148,843	0.66%
R4 Holdings, LLC	140,147	0.62%
Patrick Fabricating & Welding	136,433	0.60%
Citizens Bank & Trust	119,761	0.53%
	\$ 2,340,282	10.36%

**(6) OPERATING LEASES**

The Town makes payments monthly for the use of land. Presently, the Town has lease agreements with the owners of these properties. The leases are non-cancelable operating leases, by the Town, that expire at various dates through December 31, 2018. Certain leases generally contain renewal options, include escalation clauses, and require the Town to pay executor costs such as taxes, maintenance and insurance. Rent expense for leases for 2018 was \$7,600.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2018 are:

2019	\$ 6,500
	\$ 6,500

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

(7) **CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2018:

	<u>Balance</u> <u>1/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2018</u>
<b><u>Governmental Activities</u></b>				
<b>Capital assets not being depreciated</b>				
Works of art	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	60,243	284,950	(60,243)	284,950
Land	<u>196,389</u>	<u>-</u>	<u>-</u>	<u>196,389</u>
<b>Total capital assets not being depreciated</b>	<u>296,632</u>	<u>284,950</u>	<u>(60,243)</u>	<u>521,339</u>
<b>Capital assets being depreciated</b>				
Infrastructure	2,138,294	92,834	-	2,231,128
Culture and recreation	457,696	10,243	-	467,939
Machinery and equipment	747,978	-	-	747,978
Office equipment and furniture	16,119	-	-	16,119
Buildings and building improvements	441,853	-	-	441,853
Police machinery and equipment	3,535	-	-	3,535
Police furniture and fixtures	<u>1,197</u>	<u>-</u>	<u>-</u>	<u>1,197</u>
<b>Total capital assets being depreciated</b>	<u>3,806,672</u>	<u>103,077</u>	<u>-</u>	<u>3,909,749</u>
<b>Accumulated depreciation for:</b>				
Infrastructure	(652,360)	(101,374)	-	(753,734)
Culture and recreation	(76,334)	(12,572)	-	(88,906)
Machinery and equipment	(509,271)	(52,039)	-	(561,310)
Office equipment and furniture	(16,119)	-	-	(16,119)
Buildings and building improvements	(256,365)	(8,513)	-	(264,878)
Police machinery and equipment	(3,535)	-	-	(3,535)
Police furniture and fixtures	<u>(1,197)</u>	<u>-</u>	<u>-</u>	<u>(1,197)</u>
<b>Total accumulated depreciation</b>	<u>(1,515,181)</u>	<u>(174,498)</u>	<u>-</u>	<u>(1,689,679)</u>
<b>Total capital assets being depreciated, net</b>	<u>2,291,491</u>	<u>(71,421)</u>	<u>-</u>	<u>2,220,070</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 2,588,123</u>	<u>\$ 213,529</u>	<u>\$ (60,243)</u>	<u>\$ 2,741,409</u>

Depreciation was charged to governmental functions as follows:

General governmental	\$ 161,926
Culture and recreation	<u>12,572</u>
Total	<u>\$ 174,498</u>

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(7) CAPITAL ASSETS (CONTINUED)**

	<u>Balance</u> <u>1/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2018</u>
<b><u>Business-Type Activities</u></b>				
<b>Capital assets not being depreciated</b>				
Construction in progress	\$ -	\$ 571,454	\$ -	\$ 571,454
<b>Total capital assets not being depreciated</b>	<u>-</u>	<u>571,454</u>	<u>-</u>	<u>571,454</u>
<b>Capital assets being depreciated</b>				
Gas distribution system	150,035	-	-	150,035
Water distribution system	1,765,870	-	-	1,765,870
Sewer plant and lines	2,896,847	46,750	-	2,943,597
Vehicles	17,600	-	-	17,600
Machinery and equipment	77,983	-	-	77,983
Buildings and building improvements	<u>35,808</u>	<u>-</u>	<u>-</u>	<u>35,808</u>
<b>Total capital assets being depreciated</b>	<u>4,944,143</u>	<u>46,750</u>	<u>-</u>	<u>4,990,893</u>
<b>Accumulated depreciation for:</b>				
Gas distribution system	(45,930)	(4,686)	-	(50,616)
Water distribution system	(1,006,964)	(37,713)	-	(1,044,677)
Sewer plant and lines	(1,655,233)	(58,840)	-	(1,714,073)
Vehicles	(17,600)	-	-	(17,600)
Machinery and equipment	(65,810)	(2,367)	-	(68,177)
Buildings and building improvements	<u>(15,818)</u>	<u>(1,194)</u>	<u>-</u>	<u>(17,012)</u>
<b>Total accumulated depreciation</b>	<u>(2,807,355)</u>	<u>(104,800)</u>	<u>-</u>	<u>(2,912,155)</u>
<b>Total capital assets being depreciated, net</b>	<u>2,136,788</u>	<u>(58,050)</u>	<u>-</u>	<u>2,078,738</u>
<b>Total capital assets, net</b>	<u>\$ 2,136,788</u>	<u>\$ 513,404</u>	<u>\$ -</u>	<u>\$ 2,650,192</u>

**(8) EMPLOYEE PENSION PLAN**

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

**Plan Description**

The Municipal Employees' Retirement System of Louisiana (System) was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns, and cities within the state, which did not have their own retirement system and which elected to become members of the System.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(8) EMPLOYEE PENSION PLAN (CONTINUED)**

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

**Plan Description (continued)**

The System is administered by a Board of Trustees composed of eleven members, three of whom shall be active and contributing members of the System with at least ten years creditable service and who are elected to office in accordance with the Louisiana Election Code, three of whom shall be active and contributing members of the System with at least ten years creditable service and who are not elected officials; one of whom shall be president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; and one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana; the commissioner of administration, who shall be a nonvoting member; and the State Treasurer, who shall be a nonvoting member.

The System is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was established and provided for by R.S.11:1731 of the Louisiana Revised Statutes (LRS).

Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System of Louisiana, effective on and after June 30, 1970.

Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B." Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan.

**Plan Membership:**

The System provides retirement benefits to employees of all incorporated villages, towns, and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 2018, there were 86 contributing municipalities in Plan A and 69 in Plan B.

**Eligibility Requirements:**

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

Any person eligible for membership but whose first employment making him eligible for membership in the System occurred on or after January 1, 2013 shall become a member of the MERS Plan A Tier 2 or MERS Plan B Tier 2 of the System as a condition of employment.

**Retirement Benefits:**

Benefit provisions are authorized within Act 356 of the 1954 regular session and amended by LRS 11:1756-11:1785. The following brief description of the plan and its benefits is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(8) EMPLOYEE PENSION PLAN (CONTINUED)**

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

**Plan Description (continued)**

Any member of Plan A who commenced participation in the System prior to January 1, 2013 can retire providing he meets one of the following criteria:

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) or more years creditable service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated).
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 three percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. An additional regular retirement benefit can be received for any city marshal or deputy city marshal. See Plan Booklet for further details.

Any member of Plan A Tier 2 can retire providing he meets one of the following requirements.

1. Age 67 with seven or more years of creditable service
2. Age 62 with ten or more years of creditable service
3. Age 55 with thirty or more years of creditable service
4. Any age with twenty five years of creditable service with an actuarially reduced early benefit.
5. Survivor's benefits require five or more years of creditable service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated).

Generally, the monthly amount of retirement allowance for any member of Plan A Tier 2 shall consist of an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Any city marshal or deputy city marshal shall receive an additional regular benefit computed on supplemental marshal's earnings. See Plan booklet for further details.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(8) EMPLOYEE PENSION PLAN (CONTINUED)**

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

**Plan Description (continued)**

Survivor Benefits:

Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Any member of Plan A who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Any member of Plan A or Plan B who had not withdrawn their accumulated contributions and had at least twenty years of service credit at time of death, surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during the participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service, whichever is greater, or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(8) EMPLOYEE PENSION PLAN (CONTINUED)**

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

**Plan Description (continued)**

Cost of Living Increases:

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant additional cost of living increases to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred Benefits:

Both Plans provide for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

**Funding Policy**

For the twelve months ended December 31, 2018, members of the System are required to contribute 9.50% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. At December 31, 2018, the employer contribution rate was 26.00%. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

**Contributions**

According to state statute, for the System, contribution requirements for all employees are actuarially determined each year. State statute requires covered employees to contribute a percentage of their salaries to the System. For the year ending December 31, 2018, the actual employer contribution rate and the actuarially determined employer contribution rate is listed below. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective.

The amount of the Town's employer contributions to the System for the year ended December 31, 2018 was \$110,229. The District's covered payroll for the System for the year ended December 31, 2018 was \$434,583.

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

At December 31, 2018, the Town reported a liability totaling \$971,746 for its proportionate share of the net pension liability for the System. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Town's proportion was .23468% for the System, which was a decrease of .004367% from its proportion measured as of June 30, 2017.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(8) EMPLOYEE PENSION PLAN (CONTINUED)**

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

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

For the year ended December 31, 2018, the Town recognized pension expense for the System totaling \$134,861. Subtracted from pension expense is the employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions totaling \$17,804 for the System.

For the year ended December 31, 2018, the Town recognized revenue from ad valorem taxes and revenue sharing funds received by the System. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities totaling \$14,639.

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the System:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 34,550
Change in assumptions	29,251	-
Net difference between projected and actual earnings on pension plan investments	148,914	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	21,350
Employer contributions subsequent to the measurement date	<u>55,528</u>	<u>-</u>
Total	<u>\$ 233,693</u>	<u>\$ 55,900</u>

Employer contributions subsequent to the measurement date totaling \$55,528 and reported as deferred outflows of resources will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2019	\$	64,285
2020		40,076
2021		12,978
2022		<u>4,256</u>
Total	\$	<u>121,595</u>

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(8) EMPLOYEE PENSION PLAN (CONTINUED)**

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

**Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation for the System was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	June 30, 2018
Actuarial Cost Method:	Entry age normal cost
Actuarial Assumptions:	
Investment Rate of Return	7.275%
Inflation rate:	2.6%
Projected Salary Increases	5.0%
Mortality Rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants
Expected Remaining Service Lives	2018 – 3 years for Plan A; 2017 – 3 years for Plan A

**Discount Rate:**

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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.20%
Public fixed income	35%	1.50%
Alternatives	<u>15%</u>	<u>0.60%</u>
Totals	<u>100%</u>	<u>4.30%</u>
Inflation		2.70%
Expected arithmetic nominal return		7.00%

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(8) EMPLOYEE PENSION PLAN (CONTINUED)**

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

**Actuarial Assumptions (continued)**

Discount Rate:

The discount rate used to measure the total pension liability was 7.275% for the years ended June 30, 2018. 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 2018 is 3 years for Plan A and 3 years for Plan B.

Sensitivity to Changes in Discount Rate:

The following presents the net pension liability of the System calculated using the discount rate of 7.275%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.275%) or one percentage point higher (8.275%) than the current discount rate (assuming all other assumptions remain unchanged):

Changes in discount for years ending June 30, 2018 for Plan A are as follows:

	<u>1% Decrease</u> <u>6.275%</u>	<u>Current</u> <u>Discount Rate</u> <u>7.275%</u>	<u>1% Increase</u> <u>8.275%</u>
Town's proportionate share of the Net Pension Liability	\$ 1,248,297	\$ 971,746	\$ 735,701

Retirement System Audit Report:

The Municipal Employees' Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended June 30, 2018. Access to the report can be found on the Louisiana Legislative Auditor's website, [www.lia.la.gov](http://www.lia.la.gov), or by contacting the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(9) LONG-TERM DEBT AND CAPITAL LEASES**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>General Obligation Bonds</u>	<u>Certificate of Indebtedness</u>	<u>Revenue Bonds</u>	<u>Certificate of Indebtedness</u>	
Balance 1/1/2018	\$ 973,000	\$ 29,000	\$ 282,811	\$ 133,000	\$ 1,417,811
Additions	-	-	500,515	-	500,515
Reductions	<u>(131,000)</u>	<u>(14,000)</u>	<u>(13,000)</u>	<u>(25,000)</u>	<u>(183,000)</u>
Balance 12/31/2018	<u>\$ 842,000</u>	<u>\$ 15,000</u>	<u>\$ 770,326</u>	<u>\$ 108,000</u>	<u>\$ 1,735,326</u>
Due within one year	<u>\$ 108,000</u>	<u>\$ 15,000</u>	<u>\$ 287,000</u>	<u>\$ 26,000</u>	<u>\$ 436,000</u>

General obligation bonds are secured by an annual property tax levy. In accordance with Louisiana Revised Statute 39:562, the Town is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property in the municipality. At December 31, 2018, the Town had not exceeded this statutory limit. As of December 31, 2018, there was \$258,759 available in the Debt Service Fund and \$19,439 in the 2010 Debt Service Fund to service the general obligation bonds.

Long-term debt was composed of the following at December 31, 2018:

**General Obligation Bonds**

\$450,000 General Obligation Bonds Series 2005, due in annual installments through March 2020; interest paid semi-annually at 2.95%; secured by ad valorem tax. \$ 105,000

\$556,000 Limited Tax Refunding Bonds Series 2012, due in annual installments through September 2024; interest paid semi-annually at 2.72% secured by ad valorem tax. 302,000

\$500,000 General Obligation Bonds Series 2014, due in annual installments through March 2029; interest paid semi-annually ranging from 1.50% to 3.00% secured by ad valorem tax. 435,000

\$ 842,000

**Revenue Bonds**

\$350,000 Utility Refunding Bonds dated January 8, 2004, due in annual installments through March 1, 2030; including interest from from 3% to 5.25%; secured by revenues of the Utility System. \$ 210,000

\$6,000,000 Utility Revenue Bonds dated December 6, 2017, in connection with a loan from the State of Louisiana, Department of Environmental Quality (DEQ) to construct sewer improvements. DEQ is holding the bonds as payment for the loan. This amounts represents the total drawdown of these bonds to date. Includes interest of 0.45% secured by revenues of the Utility System. 560,326

\$ 770,326

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

(9) **LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)**

**Certificates of Indebtedness**

\$116,000 Certificate of Indebtedness dated September 30, 2010, due in annual installments through March 1, 2019; interest paid semi-annually ranging from 2.5% to 4%; secured by excess revenues. \$ 15,000

\$250,000 Certificate of Indebtedness dated July 12, 2012; due in annual installments through June 1, 2022; interest paid semi-annually ranging from 0.50% to 3.5%; secured by excess revenues. 108,000

\$ 123,000

Annual debt service requirements of long-term debt are as follows:

Year	<u>General Obligation Bonds</u>		<u>Certificate of Indebtedness</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 108,000	\$ 20,787	\$ 41,000	\$ 3,606	\$287,000	\$ 37,445
2020	139,000	17,495	27,000	2,398	290,000	35,570
2021	84,000	14,651	27,000	1,453	24,326	9,972
2022	86,000	12,574	28,000	490	15,000	8,378
2023	92,000	10,344	-	-	16,000	7,603
Thereafter	<u>333,000</u>	<u>24,023</u>	<u>-</u>	<u>-</u>	<u>138,000</u>	<u>26,649</u>
Totals	<u>\$ 842,000</u>	<u>\$ 99,874</u>	<u>\$ 123,000</u>	<u>\$ 7,947</u>	<u>\$ 770,326</u>	<u>\$ 125,617</u>

Interest costs incurred and charged to expense for the year ended December 31, 2018 was \$40,828.

**Capital Leases**

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. On May 27, 2015, the Town entered into a capital lease agreement for five years with interest of 4.18% for the purchase of an excavator. On April 1, 2016, the Town entered into a capital lease agreement for five years with interest of 3.35% for the purchase of a directional drill for gas and water installations. On December 19, 2018, the Town entered into a capital lease agreement for five years with interest of 3.94% for the purchase of a pipehunter minicombination truck.

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2018:

Year	<u>Equipment</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 89,965	\$ 11,389
2020	82,118	8,000
2021	55,198	5,367
2022	52,953	3,307
2023	<u>55,078</u>	<u>1,183</u>
Totals	<u>\$ 335,312</u>	<u>\$ 29,246</u>

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(10) RESTRICTED ASSETS**

The Town has approved resolutions authorizing the issuance of \$600,000 of Utility Revenue Bonds dated July 8, 1998, \$350,000 of Utility Refunding Bonds dated January 8, 2004, and \$250,000 of Utility Revenue Bonds dated December 1, 2004. Each of the resolutions provide for certain restrictions on assets of the proprietary fund. The following reserve requirements have been met for the year ended December 31, 2018:

**1. Revenue Bond Sinking Fund**

The resolution called for the establishment and maintenance of a Utilities Revenue Bond and Sinking Fund sufficient in amount to pay promptly and in full the principal of and the interest on bonds authorized as they become due and payable.

**2. Revenue Bond Reserve Fund**

The resolution called for the establishment of a Revenue Bond Reserve Fund by depositing with the designated fiscal agent bank of the Town until such time as there has been accumulated in said Reserve Fund a sum equal to the highest combined principal and interest payment in any year of the bond. The sole purpose of this fund is to pay the principal of and the interest on the bonds payable from the Revenue Bond Reserve Fund as to which these would otherwise be in default.

**3. Depreciation and Contingency Fund**

The resolution called for the establishment and maintenance of a Depreciation and Contingency Fund to care for depreciation, extensions, additions, improvements, and replacements necessary to properly operate the system. Regular deposits of \$416 per month are to be deposited with the regularly designated fiscal agent bank of the Town.

**4. Meter Deposit Fund**

The Town established a Meter Deposit Fund to help maintain customer meter deposits on hand, as well as to help control customer meter deposits received.

**(11) INTERFUND RECEIVABLES/PAYABLES**

The primary purpose of interfund receivables/payables is to loan monies between funds to cover current expenditures. Individual fund balances due from/to other funds at December 31, 2018, were as follows:

	<u>Due From</u>	<u>Due To</u>
<b>General Fund</b>		
Shared Sales Tax Fund	\$ -	\$ 41,524
Cemetery Fund	-	33,725
<b>Shared Sales Tax Fund</b>		
General Fund	41,524	-
<b>Cemetery Fund</b>		
General Fund	<u>33,725</u>	<u>-</u>
<b>Total</b>	<u>\$ 75,249</u>	<u>\$ 75,249</u>

All interfund receivables/payables are considered short-term, as they are expected to be repaid within the next fiscal year.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(12) INTERFUND TRANSFERS**

Operating transfers between funds consist primarily of sales tax revenues transferred to the particular funds for which the revenue is to be used. The following is a summary of the operating transfers between funds during the fiscal year ended December 31, 2018:

	Transfer In	Transfer Out
<b>Shared Sales Tax Fund</b>		
2010 Debt Service Fund	-	48,000
<b>2010 Debt Service Fund</b>		
Shared Sales Tax Fund	48,000	-
Total All Funds	\$ 48,000	\$ 48,000

**(13) INTERGOVERNMENTAL AGREEMENT**

The Town entered into an intergovernmental agreement with St. Tammany Parish, Louisiana, effective December 21, 2006, for the sharing of sales tax revenue generated in Sales Tax District No. 3. Proceeds from the tax shall be used for projects that benefit residents of Sales Tax District No. 3. As of December 31, 2018, \$313,987 was restricted for use in Sales Tax District No. 3.

**(14) RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2018, the Town carried insurance through various commercial carriers to cover all risks of loss. The Town has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**(15) NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued Statement No. 82, "*Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73.*" The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, "*Financial Reporting for Pension Plans,*" No. 68, "*Accounting and Financial Reporting for Pensions,*" and No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*" Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. 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. This Statement did not have a material effect on the Town's financial statements upon implementation.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2018

**(15) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

The GASB has issued Statement No. 83, "*Certain Asset Retirement Obligations*." The objective of this Statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement establishes criteria for determining the timing and the pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires (1) that recognition occur when the liability is both incurred and reasonably estimable; (2) the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred; (3) the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually; (4) a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays; and (5) disclosure of information concerning the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Town plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 84, "*Fiduciary Activities*." 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. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Town plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 85, "*Omnibus 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. This Statement did not have a material effect on the Town's financial statements upon implementation.

The GASB has issued Statement No. 86, "*Certain Debt Extinguishment Issues*." 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. This Statement did not have a material effect on the Town's financial statements upon implementation.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2018**

**(15) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

The GASB has issued Statement No. 87, “*Leases*.” 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. The Town plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.” 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Town plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*.” The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Town plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 90, “*Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*.” The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Town plans to adopt this Statement as applicable by the effective date.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgetary Amounts		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>REVENUES:</u></b>				
Taxes:				
Property taxes	\$ 170,900	\$ 170,900	\$ 185,203	\$ 14,303
Franchise taxes	130,000	130,000	130,887	887
Sales taxes	295,000	295,000	344,212	49,212
Other	5,500	5,500	6,587	1,087
Licenses and permits	54,700	54,700	49,644	(5,056)
Insurance licenses	110,000	110,000	102,873	(7,127)
Rentals	17,000	17,000	21,950	4,950
Fines and forfeitures	60,000	60,000	96,580	36,580
Interest income	1,002	1,002	1,094	92
Donations	16,500	16,500	6,161	(10,339)
Museum income	35,000	35,000	38,259	3,259
Other revenues	119,800	169,800	128,700	(41,100)
	1,015,402	1,065,402	1,112,150	46,748
<b><u>EXPENDITURES:</u></b>				
General government	586,012	638,482	599,804	38,678
Public safety	296,720	294,250	293,199	1,051
Clerk of court	52,670	56,000	55,471	529
Culture and recreation	35,000	35,000	27,950	7,050
Grants	45,000	45,000	20,170	24,830
Capital outlay	-	-	42,834	(42,834)
	1,015,402	1,068,732	1,039,428	29,304
Excess (deficiency) of revenues over (under) expenditures	-	(3,330)	72,722	76,052
<b><u>OTHER FINANCING SOURCES:</u></b>				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	\$ -	72,722	\$ -
Fund balance, beginning of year			574,696	
Fund balance, end of year			\$ 647,418	

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgetary Amounts		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>GENERAL GOVERNMENT:</u></b>				
Salaries	\$ 209,300	\$ 209,300	\$ 203,898	\$ 5,402
Repairs and maintenance	19,200	69,200	53,545	15,655
Employee insurance and benefits	77,000	78,190	68,655	9,535
Insurance	40,500	40,500	36,966	3,534
Accounting and auditing	14,000	14,000	10,342	3,658
Aldermen	38,000	38,000	38,311	(311)
Contract labor	30,000	30,000	24,100	5,900
Retirement	20,300	20,300	30,589	(10,289)
Utilities	9,500	9,500	12,044	(2,544)
Legal	14,000	12,000	23,459	(11,459)
Sidewalk expense	-	-	3,250	(3,250)
Street repairs	2,000	2,000	1,382	618
Office supplies	6,500	6,500	4,949	1,551
Auto gas	1,700	1,700	968	732
Miscellaneous	54,175	56,175	29,070	27,105
Telephone	6,000	6,700	7,451	(751)
Payroll taxes	6,500	7,080	7,199	(119)
Conventions and travel	3,000	3,000	3,921	(921)
Advertising and publication	4,800	4,800	5,045	(245)
Inspections	9,300	9,300	13,120	(3,820)
St. Tammany Parish Assessor	7,000	7,000	7,081	(81)
Senior citizens	4,000	4,000	3,677	323
Postage	1,200	1,200	1,468	(268)
Payroll processing fee	2,737	2,737	2,837	(100)
Dues and subscriptions	1,000	1,000	1,217	(217)
Auto repairs and maintenance	600	600	371	229
Janitorial expense	3,700	3,700	4,889	(1,189)
Total general government expenses	\$ 586,012	\$ 638,482	\$ 599,804	\$ 38,678

\*Note: The Town legally adopts annual budgets for the General Fund and all Special Revenue Funds.

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**SHARED SALES TAX FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgetary Amounts</u>		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Taxes:				
Sales taxes	\$ 305,150	\$ 240,000	\$ 287,583	\$ 47,583
Interest income	-	-	234	234
Total revenues	<u>305,150</u>	<u>240,000</u>	<u>287,817</u>	<u>47,817</u>
<b><u>EXPENDITURES:</u></b>				
Public works	166,050	144,900	123,906	20,994
Principal retirement	-	-	71,347	(71,347)
Interest on long-term debt	-	-	3,746	(3,746)
Capital outlay	<u>85,000</u>	<u>285,000</u>	<u>284,948</u>	<u>52</u>
Total expenditures	<u>251,050</u>	<u>429,900</u>	<u>483,947</u>	<u>(54,047)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>54,100</u>	<u>(189,900)</u>	<u>(196,130)</u>	<u>(6,230)</u>
<b><u>OTHER FINANCING USES:</u></b>				
Proceeds from issuance of debt	-	285,000	284,948	(52)
Transfers out	<u>(54,100)</u>	<u>(54,100)</u>	<u>(48,000)</u>	<u>6,100</u>
Total other financing uses	<u>(54,100)</u>	<u>230,900</u>	<u>236,948</u>	<u>6,048</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 41,000</u>	<u>40,818</u>	<u>\$ (182)</u>
Fund balance, beginning of year			<u>273,169</u>	
Fund balance, end of year			<u>\$ 313,987</u>	

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**SPECIAL SALES TAX FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgetary Amounts</u>		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Taxes:				
Sales taxes	\$ 295,000	\$ 345,000	\$ 344,212	\$ (788)
Total revenues	<u>295,000</u>	<u>345,000</u>	<u>344,212</u>	<u>(788)</u>
<b><u>EXPENDITURES:</u></b>				
Public works	295,000	342,300	344,009	(1,709)
Culture and recreation	-	-	10,180	(10,180)
Total expenditures	<u>295,000</u>	<u>342,300</u>	<u>354,189</u>	<u>(11,889)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>2,700</u>	<u>(9,977)</u>	<u>(12,677)</u>
<b><u>OTHER FINANCING USES:</u></b>				
Transfers out	-	-	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,700</u>	<u>(9,977)</u>	<u>\$ (12,677)</u>
Fund balance, beginning of year			<u>54,851</u>	
Fund balance, end of year			<u>\$ 44,874</u>	

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**CEMETERY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgetary Amounts</u>		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Sales of cemetery plots	\$ 105,158	\$ 15,000	\$ 14,400	\$ (600)
Interest income	-	-	157	157
Other revenues	-	-	100	100
Total revenues	<u>105,158</u>	<u>15,000</u>	<u>14,657</u>	<u>(343)</u>
<b><u>EXPENDITURES:</u></b>				
Cemetery	105,158	11,000	10,574	426
Capital outlay	-	-	-	-
Total expenditures	<u>105,158</u>	<u>11,000</u>	<u>10,574</u>	<u>426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>4,000</u>	<u>4,083</u>	<u>83</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 4,000</u>	<u>4,083</u>	<u>\$ 83</u>
Fund balances - beginning of year			<u>225,657</u>	
Fund balances - end of year			<u>\$ 229,740</u>	

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2018\***

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
<b><u>Municipal Employees Retirement System of Louisiana</u></b>				
Town's Proportion of the Net Pension Liability	0.234683%	0.239050%	0.249567%	0.250750%
Town's Proportionate Share of the Net Pension Liability	\$ 971,746	\$ 1,000,047	\$ 1,022,903	\$ 895,718
Town's Covered-Employee Payroll	\$ 428,575	\$ 434,132	\$ 445,813	\$ 427,968
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	226.74%	230.36%	229.45%	209.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.60%	62.49%	62.11%	66.18%

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

*\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.*

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**SCHEDULE OF CONTRIBUTIONS - RETIREMENT PLAN**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
<b><u>Municipal Employees Retirement System of Louisiana</u></b>				
Contractually Required Contribution	\$ 110,229	\$ 99,802	\$ 87,626	\$ 95,274
Contributions in Relation to the Contractually Required Contribution	(110,229)	(99,802)	(87,626)	(95,274)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 434,583	\$ 420,565	\$ 410,086	\$ 482,402
Contributions as a Percentage of Covered-Employee Payroll	25.36%	23.73%	21.37%	19.75%

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

## **OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Lighting Special Revenue Fund	Parks/ Playground Special Revenue Fund	2010 Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<b><u>ASSETS:</u></b>					
Cash and cash equivalents - restricted	\$ 24	\$ 13	\$ 20,967	\$ -	\$ 21,004
Equity in pooled cash	-	-	-	46	46
Property taxes receivable, net	<u>21,434</u>	<u>42,868</u>	<u>-</u>	<u>-</u>	<u>64,302</u>
 Total assets	 <u>\$ 21,458</u>	 <u>\$ 42,881</u>	 <u>\$ 20,967</u>	 <u>\$ 46</u>	 <u>\$ 85,352</u>
 <b><u>LIABILITIES:</u></b>					
Pooled cash in other funds	\$ 20,006	\$ 10,568	\$ 1,528	\$ -	\$ 32,102
Total liabilities	<u>20,006</u>	<u>10,568</u>	<u>1,528</u>	<u>-</u>	<u>32,102</u>
 <b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>					
Unavailable revenue - property taxes	<u>728</u>	<u>1,457</u>	<u>-</u>	<u>-</u>	<u>2,185</u>
Total deferred inflows of resources	<u>728</u>	<u>1,457</u>	<u>-</u>	<u>-</u>	<u>2,185</u>
 <b><u>FUND BALANCES:</u></b>					
Restricted, reported in					
Special revenue fund	724	30,856	-	-	31,580
Debt service fund	-	-	19,439	-	19,439
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>46</u>	<u>46</u>
Total fund balances	<u>724</u>	<u>30,856</u>	<u>19,439</u>	<u>46</u>	<u>51,065</u>
 Total liabilities and fund balances	 <u>\$ 21,458</u>	 <u>\$ 42,881</u>	 <u>\$ 20,967</u>	 <u>\$ 46</u>	 <u>\$ 85,352</u>

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AN CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Lighting Special Revenue Fund	Parks/ Playground Special Revenue Fund	2010 Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
<b><u>REVENUES:</u></b>					
Property taxes	\$ 23,526	\$ 47,048	\$ -	\$ -	\$ 70,574
Interest income	1,009	13	30	-	1,052
Total revenues	<u>24,535</u>	<u>47,061</u>	<u>30</u>	<u>-</u>	<u>71,626</u>
<b><u>EXPENDITURES:</u></b>					
General government	30,463	37,827	-	-	68,290
Debt service:					
Principal	-	14,000	46,000	-	60,000
Interest	-	880	9,465	-	10,345
Total expenditures	<u>30,463</u>	<u>52,707</u>	<u>55,465</u>	<u>-</u>	<u>138,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,928)</u>	<u>(5,646)</u>	<u>(55,435)</u>	<u>-</u>	<u>(67,009)</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>					
Transfer in	-	-	48,000	-	48,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>48,000</u>	<u>-</u>	<u>48,000</u>
Net change in fund balances	(5,928)	(5,646)	(7,435)	-	(19,009)
Fund balances, beginning of year	<u>6,654</u>	<u>36,500</u>	<u>26,874</u>	<u>46</u>	<u>70,074</u>
Fund balances, end of year	<u>\$ 726</u>	<u>\$ 30,854</u>	<u>\$ 19,439</u>	<u>\$ 46</u>	<u>\$ 51,065</u>

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**SCHEDULE OF COMPENSATION PAID TO COUNCIL MEMBERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Name</u>	<u>Amount</u>
Patrick Berrigan, Jr.	\$ 7,801
Ryan Murphy	7,455
Gina Kilpatrick Harper	8,451
Daniel Curtis	7,454
Leslie Welliver	<u>7,801</u>
	<u>\$ 38,962</u>

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS**  
**TO AGENCY HEAD**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Greg Lemons, Mayor**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 54,730
Benefits - insurance	-
Benefits - retirement	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	2,351
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	<hr/>
Total Compensation, Benefits and Other Payments	<u>\$ 57,081</u>



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

To the Honorable Mayor  
and Members of the Board of Aldermen  
Town of Abita Springs, 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 *Governmental Audit 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 the Town of Abita Springs, Louisiana (the "Town") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 15, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



To the Honorable Mayor  
and Members of the Board of Aldermen  
Town of Abita Springs, Louisiana  
June 15, 2019

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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.

This report is intended solely for the information and use of management, the Board of Aldermen, the Louisiana Legislative Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 15, 2019  
Mandeville, Louisiana

A handwritten signature in black ink that reads "Erickson Krentel LLP".

Certified Public Accountants

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**SECTION I SUMMARY OF AUDIT RESULTS**

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the Town of Abita Springs, Louisiana.
2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Town of Abita Springs, Louisiana were 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*.
4. A management letter was issued for the year ended December 31, 2018.

**SECTION II FINANCIAL STATEMENTS FINDINGS**

N/A

**TOWN OF ABITA SPRINGS, LOUISIANA**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

N/A

**SECTION II - MANAGEMENT LETTER**

**2017-001 Late Retirement Contribution**

Retirement contributions are due to the Municipal Employees' Retirement System (MERS) on the 10<sup>th</sup> day of the month following month for which the retirement contributions are related. During our testing, we noted one instance in which the Town was late in submitting retirement contributions to MERS. Although the Town corrected the error immediately, the Town may incur penalties and interest in the future for late contributions. We recommend that the Town review the procedures for remitting retirement contributions to ensure timely remittances to the System.

Corrective action was taken by the Town. This issue has been resolved.

**2017-002 Utilize Summary Sheet for Telephone Quotes**

During testing, we noted that the Town did not have a sheet for summarizing telephone quotes in their bid documentation. Although the Town sought three telephone quotes on purchases between \$10,000 and \$30,000, the Town only retained copies of responses to their request for quotes. Preparing a summary schedule of the Town's attempts to obtain quotes via telephone or fax could save the Town time in keeping tracking of required bid law documentation. We recommend that the Town utilize a summary sheet that details the names of companies contact, the date and time, the method of communication, and the response.

Corrective action was taken by the Town. This issue has been resolved.



## MANAGEMENT LETTER

To the Honorable Mayor and Board of Aldermen  
Town of Abita Springs, Louisiana

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Town of Abita Springs, Louisiana (the “Town”), as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards* we considered the Town’s internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiencies. This letter summarizes our comments and suggestions concerning this matter. This letter does not affect our report dated June 15, 2019, on the financial statements of Town of Abita Springs, Louisiana.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Town of Abita Springs, Louisiana personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

### **2018-001 Long-Outstanding Checks**

During our audit testing, we noted long-outstanding checks. We recommend that the Town review the long-outstanding checks and void and re-issue as necessary or report to the state as required by escheat laws.

### **2018-002 Unreconciled Credits in Utility Accounts Receivable Report**

During our audit testing, we noted that the Town had credit balances listed on the accounts receivable reconciliation that had not been recorded in the general ledger. We recommend that the Town review the unreconciled items and record the appropriate journal entry. This difference will continue to grow if not corrected.

### **2018-003 Incomplete Accounts Payable Aging**

During our audit testing, we noted that the Town had items recorded to accounts payable that were not included in the accounts payable aging. We recommend that all items be recorded in the accounts payable module and a reconciliation be maintained for those items that are not.



To the Honorable Mayor and Board of Aldermen  
Town of Abita Springs, Louisiana  
June 15, 2019  
Page 2

This letter is intended solely for the information and use of Town of Abita Springs, Louisiana, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

June 15, 2019  
Mandeville, Louisiana

*Erickson Krentel LLP*  
Certified Public Accountants

# Town of Abita Springs



**MAYOR  
DANIEL J. CURTIS**

June 15, 2019

Louisiana Legislative Auditor

Town of Abita Springs, Louisiana respectfully submits the following corrective action plan for the year ended December 31, 2018.

Name and address of independent public accounting firm:

Ericksen Krentel L.L.P.  
2895 Highway 190, Ste 213  
Mandeville, LA 70471

Audit Period: January 1, 2018 – December 31, 2018

The finding from the December 31, 2018 management letter is discussed below. The finding is numbered consistently with the number assigned in the schedule.

## **SECTION II FINDINGS - FINANCIAL STATEMENTS AUDIT**

None.

## **SECTION III MANAGEMENT LETTER ITEMS**

### **2018-001 Long-Outstanding Checks**

Recommendation: We recommend that the Town review the long-outstanding checks and void and re-issue as necessary or report to the state as required by escheat laws.

Management's Response: Management agrees with the recommendation and will review the long-outstanding items on the bank reconciliations.

### **2018-002 Unreconciled Credits in Utility Accounts Receivable Report**

Recommendation: We recommend that the Town review the unreconciled items and record the appropriate journal entry. This difference will continue to grow if not corrected.

Management's Response: Management agrees with the recommendation and will investigate the unrecorded credits.

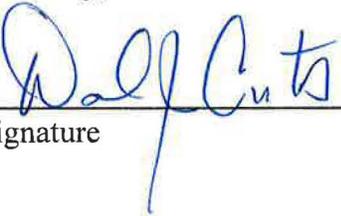
**2018-003 Incomplete Accounts Payable Aging**

Recommendation: We recommend that the Town review the items that are recorded in accounts payable that are not included in the aging.

Management's Response: Management agrees with the recommendation and will investigate excluded items.

If there are any questions regarding this plan, please contact Dan Curtis, Mayor, at (985)-892-0711.

Sincerely,

  
\_\_\_\_\_  
Signature

Mayor  
\_\_\_\_\_  
Title