

**TOWN OF HOMER
HOMER, LOUISIANA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

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

TOWN OF HOMER
HOMER, LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

**To the Honorable Xanthe Seals, Mayor,
and Members of the Board of Selectmen
Town of Homer, Louisiana**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Homer, Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town of Homer's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Homer, 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 (pages 4-7), budgetary comparison schedules (pages 53-56), the schedule of employer's proportionate share of net pension liability (page 57), and the schedule of employer's contributions (page 58) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Town of Homer
Independent Auditor's Report
December 31, 2018

The combining fund financial statements; the Schedule of Compensation to the Mayor and Board of Selectmen; and the Schedule of Compensation, Benefits, Reimbursements, and Other Payments to or on Behalf of Agency Head; 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 combining fund financial statements; the Schedule of Compensation to the Mayor and Board of Selectmen; and the Schedule of Compensation, Benefits, Reimbursements and Other Payments to Agency Head; are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019, on our consideration of the Town of Homer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Homer's internal control over financial reporting and compliance.

BOSCH & STATHAM, LLC



Ruston, Louisiana
October 29, 2019

TOWN OF HOMER, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

Our discussion and analysis of the Town of Homer, Louisiana (the Town) provides an overview of the Town's activities for the year ended December 31, 2018. Please read it in conjunction with the Town's financial statements.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities

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

THE TOWN AS A WHOLE

At December 31, 2018, net position was as follows:

	NET POSITION			
	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Current and other assets	\$ 795,404	\$ 982,078	\$ 1,132,157	\$ 1,030,571
Capital assets, net	3,717,049	3,844,064	10,404,682	9,089,585
Total assets	<u>4,512,453</u>	<u>4,826,142</u>	<u>11,536,839</u>	<u>10,120,156</u>
Deferred outflows:				
Pension related	<u>376,036</u>	503,130	-	-
Liabilities:				
Current	131,397	88,633	272,889	455,249
Long-term	<u>1,117,245</u>	1,344,001	<u>5,282,262</u>	4,370,753
Total liabilities	<u>1,248,642</u>	<u>1,432,634</u>	<u>5,555,151</u>	<u>4,826,002</u>
Deferred inflows:				
Pension related	<u>212,968</u>	55,958	-	-
Net position:				
Net investment in capital assets	3,717,049	3,844,064	5,122,420	-
Unrestricted	<u>(290,170)</u>	<u>(3,384)</u>	<u>859,268</u>	5,294,154
Total net position	<u><u>\$ 3,426,879</u></u>	<u><u>\$ 3,840,680</u></u>	<u><u>\$ 5,981,688</u></u>	<u><u>\$ 5,294,154</u></u>

TOWN OF HOMER, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

Net position of the Town's governmental activities decreased 11 percent during the year ended December 31, 2018. Net position decreased by \$413,801. Revenues decreased \$334,399 while expenses increased \$142,632.

Net position of the business-type activities increased from \$5,289,844 to \$5,981,688.

For the year ended December 31, 2018, net position changed as follows:

CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Program revenues:				
Charges for services	\$ 155,587	\$ 177,658	\$ 1,161,362	\$ 1,213,451
Operating grants and contributions	114,779	104,093	-	-
Capital grants and contributions	-	-	556,413	582,127
General revenues:				
Property taxes	121,022	130,791	-	-
Sales and use taxes	1,222,776	1,229,842	328,997	350,010
Other taxes, licenses and permits	232,083	217,708	-	-
Other	123,266	443,820	32,003	21,774
Total revenues	<u>1,969,513</u>	<u>2,303,912</u>	<u>2,078,775</u>	<u>2,167,362</u>
Expenses:				
General government	622,978	595,600	-	-
Public safety	1,011,338	907,909	-	-
Highways and streets	376,456	351,526	-	-
Health and welfare	22,278	21,923	-	-
Culture and recreation	187,112	161,236	-	-
Economic development	212,126	251,462	-	-
Utilities	-	-	1,197,635	1,308,410
Interest expense	-	-	123,533	98,952
Total expenses	<u>2,432,288</u>	<u>2,289,656</u>	<u>1,321,168</u>	<u>1,407,362</u>
Transfers	<u>65,763</u>	<u>-</u>	<u>(65,763)</u>	<u>-</u>
Change in net position	(397,012)	14,256	691,844	760,000
Net position at beginning of year, restated	<u>3,823,891</u>	<u>3,826,424</u>	<u>5,289,844</u>	<u>4,534,154</u>
Net position at end of year	<u><u>\$ 3,426,879</u></u>	<u><u>\$ 3,840,680</u></u>	<u><u>\$ 5,981,688</u></u>	<u><u>\$ 5,294,154</u></u>

TOWN OF HOMER, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

As of December 31, 2018, the Town's Police Fund had a balance of \$16,071. The General Fund has a fund balance of \$354,778 which is a 23 percent decrease from prior year. During the year the Town recorded transfers of \$426,946.

The Street Fund balance decreased by \$78,733 or 75 percent. Fund balance at year end was \$26,607. Revenues decreased while expenditures increased. Transfers in were \$30,146 compared to \$9,055 in the prior year.

The fund balance of the Industrial Development Fund decreased by \$44,252 or 47 percent.

Fund balance of the Police fund increased to \$16,071, or 161 percent.

Fund balance of the Enterprise Fund increased by 13 percent. Operations resulted in a loss of \$36,273 after expenses of \$1,197,635. Grants and sales taxes made up the loss before transfers. The net change in position was \$691,844.

BUDGETARY HIGHLIGHTS

During the year, in the General Fund, there was a \$121,657 increase in anticipated revenues. The change in estimate was due to increases in taxes. Anticipated expenditures decreased \$6,834 or 1 percent. Actual revenues and other sources exceeded budgeted amounts by \$38,769 or 5 percent. Actual expenditures and other uses exceeded budgeted amounts by \$74,764 or 15 percent primarily due to nothing being budgeted for Lease/Rent for public safety as well as transfers to the Police Fund.

During the year in the Street Fund, anticipated revenues decreased by 5 percent and expenditures increased by 21 percent. Actual expenditures and other uses exceeded budgeted amounts by 4 percent.

In the Industrial Development Fund, budgeted revenues decreased by \$3,300. Budgeted expenditures were decreased by 22 percent. Actual amounts exceeded budget by 46 and 22 percent, respectively.

In the Police Fund, budgeted revenues increased by 5 percent while budgeted expenditures, excluding capital outlay, increased only \$70,109 or 10 percent. Actual revenues and other sources decreased by 5 percent while actual expenditures and other uses, including capital outlay, increased by 9 percent.

TOWN OF HOMER, LOUISIANA

Management's Discussion and Analysis As of and for the Year Ended December 31, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018, the Town's investment in capital assets for its governmental and business-type activities amounts to \$14,121,731 (net of accumulated depreciation). This investment includes the water and sewer systems, buildings and improvements, vehicles, machinery, equipment, and land.

This year's additions of \$1,670,770 include projects funded by grants such as airport improvements, building improvements, a police vehicle, several vehicles for the Enterprise and Street departments, and water and sewer improvements as well as minor equipment purchases.

Debt

At year end, the Town had \$1,865,000 in bonds outstanding and \$3,417,262 in federal loans outstanding. See discussion of the terms in the notes to the financial statements.

At December 31, 2018, the Town's net pension liability at year end was \$1,117,245.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk at Town Hall.

BASIC FINANCIAL STATEMENTS

**TOWN OF HOMER
HOMER, LOUISIANA**

**STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 516,801	\$ 602,173	\$ 1,118,974
Cash and cash equivalents - restricted	-	391,674	391,674
Receivables, net of allowance for uncollectibles	276,473	138,310	414,783
Capital assets not being depreciated	168,645	6,094,395	6,263,040
Capital assets, net of accumulated depreciation	3,548,404	4,310,287	7,858,691
Other assets	2,130	-	2,130
TOTAL ASSETS	4,512,453	11,536,839	16,049,292
DEFERRED OUTFLOWS			
Pension related	376,036	-	376,036
LIABILITIES			
Accounts payable	101,427	130,855	232,282
Payroll and related liabilities	9,395	-	9,395
Accrued liabilities	20,575	6,867	27,442
Accrued interest payable	-	9,689	9,689
Customer deposits payable	-	125,478	125,478
Noncurrent liabilities:			
Due within one year	-	220,000	220,000
Due in more than one year	-	5,062,262	5,062,262
Net pension liability	1,117,245	-	1,117,245
TOTAL LIABILITIES	1,248,642	5,555,151	6,803,793
DEFERRED INFLOWS			
Pension related	212,968	-	212,968
NET POSITION			
Net investment in capital assets	3,717,049	5,122,420	8,839,469
Unrestricted net position	(290,170)	859,268	569,098
TOTAL NET POSITION	\$ 3,426,879	\$ 5,981,688	\$ 9,408,567

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 622,978	\$ 97,357	\$ -	\$ -	\$ (525,621)		\$ (525,621)
Public safety	1,011,338	56,305	64,250	-	(890,783)		(890,783)
Highways and streets	376,456	-	6,660	-	(369,796)		(369,796)
Health and welfare	22,278	-	-	-	(22,278)		(22,278)
Culture and recreation	187,112	-	-	-	(187,112)		(187,112)
Economic development	212,126	1,925	43,869	-	(166,332)		(166,332)
Total governmental activities	<u>2,432,288</u>	<u>155,587</u>	<u>114,779</u>	<u>-</u>	<u>(2,161,922)</u>		<u>(2,161,922)</u>
Business-type activities:							
Utility operations	1,197,635	1,161,362	-	556,413		\$ 520,140	520,140
Interest expense	123,533	-	-	-		(123,533)	(123,533)
Total business-type activities	<u>1,321,168</u>	<u>1,161,362</u>	<u>-</u>	<u>556,413</u>		<u>396,607</u>	<u>396,607</u>
Total primary government	<u>\$ 3,753,456</u>	<u>\$ 1,316,949</u>	<u>\$ 114,779</u>	<u>\$ 556,413</u>	<u>(2,161,922)</u>	<u>396,607</u>	<u>(1,765,315)</u>
General revenues:							
Property taxes					121,022	-	121,022
Sales and use taxes					1,222,776	328,997	1,551,773
Franchise taxes					89,287	-	89,287
Other taxes, penalties and interest					142,796	-	142,796
Unrestricted investment earnings					10,341	13,413	23,754
Gain (loss) on sale of capital assets					3,417	-	3,417
Other					109,508	18,590	128,098
Transfers					65,763	(65,763)	-
Total general revenues and transfers					<u>1,764,910</u>	<u>295,237</u>	<u>2,060,147</u>
Change in net position					<u>(397,012)</u>	<u>691,844</u>	<u>294,832</u>
Net position at beginning of year, restated					3,823,891	5,289,844	9,113,735
Net position at end of year					<u>\$ 3,426,879</u>	<u>\$ 5,981,688</u>	<u>\$ 9,408,567</u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF DECEMBER 31, 2018**

	General	Street	Industrial Development	Police	Nonmajor	Total
ASSETS						
Cash and cash equivalents	\$ 213,641	\$ 6,502	\$ 108,287	\$ 5,553	\$ 182,818	\$ 516,801
Receivables, net	181,691	22,666	16,752	35,000	20,364	276,473
Other assets	2,130	-	-	-	-	2,130
TOTAL ASSETS	<u><u>\$ 397,462</u></u>	<u><u>\$ 29,168</u></u>	<u><u>\$ 125,039</u></u>	<u><u>\$ 40,553</u></u>	<u><u>\$ 203,182</u></u>	<u><u>\$ 795,404</u></u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 12,548	\$ 194	\$ 75,922	\$ 11,618	\$ 1,145	\$ 101,427
Payroll and related liabilities	9,395	-	-	-	-	9,395
Accrued liabilities	5,061	2,367	-	12,864	283	20,575
Unearned revenue	15,680	-	-	-	-	15,680
Total liabilities	<u><u>42,684</u></u>	<u><u>2,561</u></u>	<u><u>75,922</u></u>	<u><u>24,482</u></u>	<u><u>1,428</u></u>	<u><u>147,077</u></u>
Fund balances:						
Restricted fund balances	-	26,607	49,117	16,071	201,754	293,549
Unassigned fund balances	354,778	-	-	-	-	354,778
Total fund balances	<u><u>354,778</u></u>	<u><u>26,607</u></u>	<u><u>49,117</u></u>	<u><u>16,071</u></u>	<u><u>201,754</u></u>	<u><u>648,327</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 397,462</u></u>	<u><u>\$ 29,168</u></u>	<u><u>\$ 125,039</u></u>	<u><u>\$ 40,553</u></u>	<u><u>\$ 203,182</u></u>	<u><u>\$ 795,404</u></u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018**

Total fund balances - governmental funds	\$ 648,327
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources	3,717,049
Unearned revenue from the fund financial statements recognized in the government-wide financial statements	15,680
Deferred items for pension related items are not reported in the fund statements:	
Deferred outflows	376,036
Deferred inflows	(212,968)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements:	
Net pension liability	<u>(1,117,245)</u>
Net position of governmental activities	<u>\$ 3,426,879</u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

GOVERNMENTAL FUNDS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Street	Industrial Development	Police	Nonmajor	Total
Revenues:						
Taxes:						
Ad valorem	\$ 121,072	\$ -	\$ -	\$ -	\$ -	\$ 121,072
Sales and use	394,620	260,701	-	307,672	259,783	1,222,776
Franchise	89,287	-	-	-	-	89,287
Other taxes, penalties and interest	124,013	-	-	-	18,782	142,795
Licenses and permits	60,715	-	-	-	-	60,715
Intergovernmental:						
State funds:						
Fire insurance rebate	-	-	-	-	25,000	25,000
Supplemental pay	-	-	-	39,250	-	39,250
Other state funds	8,502	6,660	43,869	-	-	59,031
Charges for services	22,440	-	-	9,935	100	32,475
Fines	-	-	-	46,270	-	46,270
Lease income	5,700	-	1,925	-	-	7,625
Interest earned	5,017	385	1,645	191	3,103	10,341
Other revenues	61,140	8,469	-	16,142	971	86,722
Total revenues	<u>892,506</u>	<u>276,215</u>	<u>47,439</u>	<u>419,460</u>	<u>307,739</u>	<u>1,943,359</u>
Expenditures:						
Current:						
General government:						
Legislative	24,000	-	-	-	-	24,000
Finance and administrative	263,580	-	-	-	-	263,580
Elections	1,351	-	-	-	-	1,351
Other general government	239,711	-	-	-	-	239,711
Public safety:						
Department of Motor Vehicles	25,256	-	-	-	-	25,256
Police Department	-	-	-	846,415	-	846,415
Fire Department	-	-	-	-	108,657	108,657
Highways and streets	-	331,510	-	-	-	331,510
Health and welfare	12,749	9,529	-	-	-	22,278
Culture and recreation	7,500	-	-	-	170,882	178,382
Economic development	-	-	61,039	-	25,732	86,771
Capital outlay	-	45,149	30,652	22,458	-	98,259
Total expenditures	<u>574,147</u>	<u>386,188</u>	<u>91,691</u>	<u>868,873</u>	<u>305,271</u>	<u>2,226,170</u>
Excess (deficiency) of revenues over (under) expenditures	<u>318,359</u>	<u>(109,973)</u>	<u>(44,252)</u>	<u>(449,413)</u>	<u>2,468</u>	<u>(282,811)</u>
Other financing sources (uses):						
Operating transfers in	15,000	30,146	-	488,263	6,500	539,909
Operating transfers out	(441,946)	-	-	-	(32,200)	(474,146)
Sale of capital assets	-	1,094	-	3,356	-	4,450
Total other financing sources and uses	<u>(426,946)</u>	<u>31,240</u>	<u>-</u>	<u>491,619</u>	<u>(25,700)</u>	<u>70,213</u>
Net change in fund balances	(108,587)	(78,733)	(44,252)	42,206	(23,232)	(212,598)
Fund balances at beginning of year, restated	463,365	105,340	93,369	(26,135)	224,986	860,925
Fund balances at end of year	<u>\$ 354,778</u>	<u>\$ 26,607</u>	<u>\$ 49,117</u>	<u>\$ 16,071</u>	<u>\$ 201,754</u>	<u>\$ 648,327</u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

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

Net change in fund balances - total governmental funds \$ (212,598)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	98,260
Depreciation	(224,242)
Effect of adjusting proceeds from disposal of assets to gain (loss)	(1,033)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Revenues deferred in the prior year	(15,730)
Revenues deferred in the current year	15,680

Payments of long-term debt, including contributions to the retirement systems, are reported as expenditures in governmental funds. However, these amounts are a reduction of long-term liabilities in the Statement of Net Position and are not reflected in the Statement of Activities.

Pension expense	(80,135)
Contributions to pension plan from third parties	<u>22,786</u>

Change in net position of governmental activities	<u><u>\$ (397,012)</u></u>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF HOMER
HOMER, LOUISIANA**

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018**

ASSETS

Current assets:

Cash and cash equivalents	\$ 602,173
Receivables, net	138,310
Total current assets	<u>740,483</u>

Noncurrent assets:

Cash and cash equivalents - restricted	391,674
Capital assets, net	10,404,682
Total noncurrent assets	<u>10,796,356</u>

TOTAL ASSETS	<u><u>11,536,839</u></u>
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LIABILITIES

Current liabilities:

Accounts payable	130,855
Accrued interest on revenue bonds	9,689
Accrued liabilities	6,867
Customer deposits payable	125,478
Current portion of Long-term Liabilities	220,000
Total current liabilities	<u>492,889</u>

Noncurrent liabilities:

Noncurrent portion of Long-term Liabilities	<u>5,062,262</u>
Total noncurrent liabilities	<u>5,062,262</u>

Total liabilities	<u><u>5,555,151</u></u>
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NET POSITION

Net investment in capital assets	5,122,420
Unrestricted net position	<u>859,268</u>
TOTAL NET POSITION	<u><u>\$ 5,981,688</u></u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018**

Operating revenues:	
Charges for sales and services:	
Water charges	\$ 903,309
Sewer charges	248,124
Garbage charges	9,929
Total operating revenues	<u>1,161,362</u>
Operating expenses:	
Depreciation expense	257,413
Insurance expense	11,927
Maintenance and repair	69,904
Materials and supplies	20,149
Operating costs	392,298
Other expenses	108,533
Professional fees	15,458
Salaries and related benefits	239,905
Utilities	82,048
Total operating expenses	<u>1,197,635</u>
Operating income (loss)	<u>(36,273)</u>
Nonoperating revenues (expenses):	
Sales and use taxes	328,997
Intergovernmental revenues	556,413
Interest earned	13,413
Other revenues	18,590
Interest expense	(123,533)
Gain (loss) on sale of capital assets	-
Total nonoperating revenue (expenses)	<u>793,880</u>
Income (loss) before transfers	<u>757,607</u>
Transfers out	<u>(65,763)</u>
Change in net position	691,844
Net position at beginning of year, restated	<u>5,289,844</u>
Net position at end of year	<u><u>\$ 5,981,688</u></u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:	
Receipts from customers and users	\$ 1,161,170
Payments to suppliers	(963,959)
Payments to employees	(162,933)
Net cash provided by operating activities	34,278
Cash flows from noncapital financing activities:	
Transfer to other funds	(65,763)
Proceeds from sales taxes	330,587
Other receipts	18,590
Net cash provided by noncapital and related financing activities	283,414
Cash flows from capital and related financing activities:	
Proceeds from capital debt	1,174,509
Proceeds from capital grants	512,856
Purchases of capital assets	(1,479,762)
Principal paid on capital debt	(263,000)
Interest paid on capital debt	(121,993)
Net cash used by capital and related financing activities	(177,390)
Cash flows from investing activities:	
Interest received	13,413
Net cash provided by investing activities	13,413
Net increase (decrease) in cash and cash equivalents	153,715
Cash and cash equivalents, beginning of year (including amounts in restricted accounts)	840,132
Cash and cash equivalents, end of year (including amounts in restricted accounts)	\$ 993,847
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (36,273)
Adjustments to reconcile operating loss to cash provided by operating activities:	
Depreciation expense	257,413
(Increase) decrease in accounts receivable	(13,634)
Increase (decrease) in accounts payable	(176,065)
Increase (decrease) in customer deposits	(1,260)
Increase (decrease) in accrued liabilities	2,557
Increase (decrease) in accrued interest payable	1,540
Total adjustments	70,551
Net cash provided by operating activities	\$ 34,278
Noncash investing, capital, and financing activities:	
None	

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The basic financial statements present the financial position and results of operations of the various funds by the Town and the cash flows of the proprietary fund as of and for the year ended December 31, 2018.

Reporting Entity

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

Basis of Presentation

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

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

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

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

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

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

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

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

Cash and Investments

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

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables and Payables

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

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied by the Town in September or October, are actually billed in November or December. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year they are billed. Property taxes are collected by the Sheriff using the assessed value determined by the assessor of Claiborne Parish. For the year ended December 31, 2018, taxes of 8.45 mills were levied on property with assessed valuations totaling \$14,644,726. The taxes are levied for general operating purposes.

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

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Hays, James Michael	\$ 1,995,615	14%	\$ 16,863
First Guaranty Bank	363,340	2%	3,070
Gibbsland Bank & Trust	342,120	2%	2,891
Centerpoint Energy - Arkl	260,868	2%	2,204
Industrial Packaging Corp.	204,615	1%	1,729
Louisiana Machinery Co.	448,124	3%	1,460
Brookshire Food Stores, Inc.	172,565	1%	1,458
Cordell Properties, LLC	162,594	1%	1,374
Entergy Louisiana, Inc.	2,014,090	14%	1,322
Hibernia National Bank	156,310	1%	1,321
Totals	<u>\$ 6,120,241</u>	<u>42%</u>	<u>\$ 33,692</u>

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventories and Prepaid Items

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

Restricted Assets

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

Capital Assets

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

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

The Town maintains a threshold level of \$1,000 or more for capitalizing assets.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Compensated absences

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

Long-Term Obligations

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

Fund Balance Classifications and Net Position

Fund balances are reported under the following fund balance classifications:

Non-spendable	Includes fund balance amounts that cannot be spent either because it is not in spendable form or are legally or contractually required to be maintained intact.
Restricted	Includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
Committed	Includes amounts that can only be used for specific purposes pursuant to constraints that are internally imposed by the government through formal action of the Town Council and does not lapse at year-end.
Assigned	Includes amounts that are constrained by the Council's intent to be used for specific purposes that are neither considered restricted nor committed.
Unassigned	Includes amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund. Negative fund balances in other governmental funds can also be classified as unassigned.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications and Net Position (Continued)

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

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

Net investment in capital assets - Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications and Net Position (Continued)

Budgets

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

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

Public hearings are conducted to obtain taxpayer comment.

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

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

Budgets are adopted on the modified accrual basis.

Appropriations lapse at the end of each fiscal year.

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

Use of estimates

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 2 - CASH AND CASH EQUIVALENTS

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

At December 31, 2018, the Town has cash and cash equivalents (book balances) totaling \$1,510,648 as follows:

Cash and cash equivalents:

Demand deposits	\$ 1,510,148
Other	500
Total	<u>\$ 1,510,648</u>

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

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of December 31, 2018, the Town's bank balances were exposed to custodial credit risk as follows:

Insured by FDIC	<u>\$ 250,000</u>
Uninsured and uncollateralized	-
Collateralized by pledged securities not in the Town's name	<u>1,397,358</u>
Total balances exposed to custodial credit risk	<u>1,397,358</u>
Total bank balances	<u>\$ 1,647,358</u>

NOTE 3 – RECEIVABLES

The following is a summary of receivables at December 31, 2018:

	Taxes and Licenses	Accounts	Intergovernmental	Other	Net Receivables
General	\$ 169,701	\$ -	\$ -	\$ 11,990	\$ 181,691
Street	19,336	-	-	3,330	22,666
Industrial Development	-	-	16,752	-	16,752
Police	30,174	-	75	4,751	35,000
Nonmajor	20,257	-	-	107	20,364
Enterprise	28,813	64,998	43,557	942	138,310
Total	<u>\$ 268,281</u>	<u>\$ 64,998</u>	<u>\$ 60,384</u>	<u>\$ 21,120</u>	<u>\$ 414,783</u>

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended December 31, 2018, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 135,743	\$ -	\$ -	\$ 135,743
Construction in progress	2,250	30,652	-	32,902
Total capital assets not being depreciated	137,993	30,652	-	168,645
Capital assets being depreciated:				
Infrastructure	3,330,717	-	-	3,330,717
Land improvements	4,084,458	-	-	4,084,458
Buildings	931,033	-	-	931,033
Building improvements	324,784	-	-	324,784
Furniture and equipment	284,406	57,408	-	341,814
Vehicles	629,778	10,200	(96,368)	543,610
Total capital assets being depreciated	9,585,176	67,608	(96,368)	9,556,416
Less accumulated depreciation for:				
Infrastructure	2,377,421	68,849	-	2,446,270
Land improvements	1,932,111	92,128	-	2,024,239
Buildings	702,431	14,144	-	716,575
Building improvements	91,470	12,953	-	104,423
Furniture and equipment	237,819	13,994	-	251,813
Vehicles	537,853	22,174	(95,335)	464,692
Total accumulated depreciation	5,879,105	224,242	(95,335)	6,008,012
Total capital assets being depreciated	3,706,071	(156,634)	(1,033)	3,548,404
Governmental activities, capital assets, net	\$ 3,844,064	\$ (125,982)	\$ (1,033)	\$ 3,717,049

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Ending Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 13,330	\$ -	\$ -	\$ 13,330
Construction in progress	4,571,446	1,509,619	-	6,081,065
Total capital assets not being depreciated	4,584,776	1,509,619	-	6,094,395
Capital assets being depreciated:				
Infrastructure	12,436,244	-	-	12,436,244
Buildings	127,367	-	-	127,367
Furniture and equipment	83,358	31,145	-	114,503
Vehicles	176,698	31,746	-	208,444
Total capital assets being depreciated	12,823,667	62,891	-	12,886,558
Less accumulated depreciation for:				
Infrastructure	7,945,551	244,549	-	8,190,100
Buildings	127,367	-	-	127,367
Furniture and equipment	82,763	364	-	83,127
Vehicles	163,177	12,500	-	175,677
Total accumulated depreciation	8,318,858	257,413	-	8,576,271
Total capital assets being depreciated	4,504,809	(194,522)	-	4,310,287
Business-type activities, capital assets, net	\$ 9,089,585	\$ 1,315,097	\$ -	\$ 10,404,682

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as follows:

Governmental activities:

General government	\$	14,201
Public safety		31,010
Highways and streets		44,946
Culture and recreation		8,730
Economic development		125,355
Total	\$	<u>224,242</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers during the year ended December 31, 2018, were as follows:

		Transfers out			
		General	Nonmajor	Enterprise	Total
Transfers in	General	\$ -	\$ 15,000	\$ -	\$ 15,000
	Street	28,146	2,000	-	30,146
	Police	413,800	8,700	65,763	488,263
	Nonmajor	-	6,500	-	6,500
	Total	<u>\$ 441,946</u>	<u>\$ 32,200</u>	<u>\$ 65,763</u>	<u>\$ 539,909</u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 6 – LONG-TERM OBLIGATIONS

Debt is comprised of the following at December 31, 2018:

2013 Revenue Bonds:

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

\$ 1,865,000

LDEQ Revolving Loan:

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

1,562,080

LDHH Revolving Loan:

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

1,855,182

Total

\$ 5,282,262

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Forgiven/ Adjustment	Ending Balance	Due Within One Year
Revenue Bonds - 2013 Issue	\$ 1,960,000	\$ -	\$ (95,000)	\$ -	\$ 1,865,000	\$ 100,000
LDEQ Revolving Loan	1,495,567	227,517	(96,000)	(65,004)	1,562,080	120,000
LDHH Revolving Loan	915,186	1,445,709	(72,000)	(433,713)	1,855,182	-
Net pension liability	1,344,001	-	(226,756)	-	1,117,245	-
Total	<u>\$ 5,714,754</u>	<u>\$ 1,673,226</u>	<u>\$ (489,756)</u>	<u>\$ (498,717)</u>	<u>\$ 6,399,507</u>	<u>\$ 220,000</u>

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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

	2013 Revenue Bonds
2019	100,000
2020	100,000
2021	105,000
2022	110,000
2023	110,000
2024-2028	615,000
2029-2033	725,000
Total	<u><u>\$ 1,865,000</u></u>

The Town has not completed drawing on the Department of Health and Hospital Drinking Water Revolving Loan Fund or the Department of Environment Quality Clean Water State Revolving Loan Fund. Future payments are not yet known.

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

Interest expense for business-type activities for the year ended December 31, 2018, totaled \$123,533.

NOTE 7 – EQUITY

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

NOTE 8 – RETIREMENT SYSTEMS

Municipal Employees' Retirement System of Louisiana (System)

Plan Description

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

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

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

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

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

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

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

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

1. Age 67 with seven years of creditable service.
2. Age 62 with ten years of creditable service.
3. Age 55 with thirty years of creditable service.
4. Any age with 25 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 twelve months before death - 40% at age 60 or minimum of 20% immediately (actuarially calculated).

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

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. Any member of Plan B 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 thirty years of creditable service.
2. Age 60 with a minimum of ten or more years of creditable service.
3. Any age with ten years of creditable service eligible for disability benefits.
4. Survivor's benefits require five years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two 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.

Any member of Plan B Tier 2 shall be eligible for retirement if he meets one of the following requirements:

1. Age 67 with seven years of creditable service.
2. Age 62 with ten years of creditable service.
3. Age 55 with thirty years of creditable service.
4. Any age with 25 years of creditable service, exclusive of military service and unused annual sick leave.

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two 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.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

Survivor Benefits

Upon death of any member of Plan A with five 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. Upon death of any member of Plan B with five or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.

1. Surviving spouse who is married no less than twelve months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable for as long as the surviving spouse lives, or
2. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon the death of the member and payable or as long as the surviving spouse lives. Selecting this benefit precludes the survivor from eligibility for the thirty percent benefit payable when the surviving spouse attains the age of sixty years.

Any member of Plan B 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.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

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.

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, in which he would receive a regular retirement benefit under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten 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 B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater, or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

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.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

For the year ended December 31, 2018, the Town of Homer's total payroll for all employees was \$927,262. Total covered payroll was \$182,303. Covered payroll refers to all compensation paid by the Town of Homer to active employees covered by the Plan.

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

Contributions

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town of Homer to the System monthly. The Town of Homer's contributions to the System under Plan A for the year ending December 31, 2018 were \$46,298.

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended December 31, 2018, the actual employer contribution rate was 24.75% for January through June and 26.00% for July through December for Plan A, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities but are not considered special funding situations.

According to state statute, the System also receives 1/4 of 1% of ad valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. Tax monies received from East Baton Rouge Parish are apportioned between the System and the Employee's Retirement System of the City of Baton Rouge. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities.

Administrative costs of the System are financed through employer contributions.

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

At December 31, 2018, the Town of Homer reported a liability of \$397,754 for its proportionate share of the Net Pension Liability. 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 of Homer's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.10%, which was an increase of 0.00140% from its proportion measured as of June 30, 2017.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

For the year ended December 31, 2018, the Town of Homer recognized pension expense of \$62,215 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, which was (\$65,995). Total pension expense for the Town of Homer for the year ended December 31, 2018 was (\$3,780).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 14,141
Changes in assumption	11,973	-
Net difference between projected and actual earnings on pension plan investments	60,952	-
Changes in employer's portion of beginning net pension liability	3,173	15,302
Differences between employer contributions and proportionate share of employer contributions	-	214
Subsequent measurement contributions	24,498	-
Total	\$ 100,596	\$ 29,657

The \$24,498 reported as deferred outflows of resources related to pensions resulting from the Town of Homer's contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ 19,277
2020	20,047
2021	5,376
2022	1,742

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

Actuarial Assumptions

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

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.275%
Inflation rate	2.600%
Salary increases, including inflation and merit increases	5.000%
Annuitant and beneficiary mortality	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	RP-2000 Employees Sex Distinct Table set back 2 years for both males and females.
Disabled lives mortality	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.
Expected remaining service lives	3 years for Plan A

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.2%
Public fixed income	35%	1.5%
Alternatives	15%	0.6%
Totals	100%	4.3%
Inflation		2.7%
Expected arithmetic nominal return		7.0%

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

Municipal Employees' Retirement System of Louisiana (System) (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 Plan B.

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

The following presents the Town of Homer's proportionate share of the net pension liability calculated using the discount rate of 7.275%, as well as what the Town of Homer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.275%) or one percentage-point higher (8.275%) than the current rate:

	1.0% Decrease (6.275%)	Current Discount Rate (7.275%)	1.0% Increase (8.275%)
Employer's proportionate share of net pension liability	\$ 3,934,304	\$ 397,754	\$ 2,318,736

Payables to the Pension Plan

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

Plan Fiduciary Net Position

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

Municipal Police Employees' Retirement System of Louisiana (System)

Plan Description

The Town of Homer contributes to the Municipal Police Employees' Retirement System of Louisiana (System) which is a cost sharing multiple employer defined benefit pension plan. Membership in the System is mandatory for all full-time police officers employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

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

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

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

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 40% to 60% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives benefits equal to 10% of the member's average final compensation or \$200 per month, whichever is greater.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

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

Hazardous Duty

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

Non-Hazardous Duty

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

The benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 25% to 55% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives 10% of average final compensation or \$200 per month whichever is greater. If deceased member had less than 10 years of service, beneficiary will receive a refund of employee contributions only.

Cost-of-Living Adjustments

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

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

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is 36 months or less. If employment is terminated after the three-year period, the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account and earn interest at the money market rate.

Initial Benefit Option Plan

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

For the year ended December 31, 2018, the Town of Homer's total payroll for all employees was \$911,753. Total covered payroll was \$269,740. Covered payroll refers to all compensation paid by the Town of Homer to active employees covered by the Plan.

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended December 31, 2018, the actual contribution rate was 30.75% for January through June and 32.25% for July through December, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities but are not considered special funding situations.

Members are required by state statute to contribute 9.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town of Homer to the System monthly. The Town of Homer's contributions to the System for the year ending December 31, 2018 were \$85,131.

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

At December 31, 2018, the Employer reported a liability of \$719,491 for its proportionate share of the Net Pension Liability. 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 of Homer's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.09%, which was a decrease of 0.02348% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town of Homer recognized pension expense of \$107,146 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, which was (\$23,231). Total pension expense for the Town of Homer for the year ended December 31, 2017 was \$83,915.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,243	\$ 36,767
Changes in assumption	47,018	-
Net difference between projected and actual earnings on pension plan investments	34,491	-
Changes in employer's portion of beginning net pension liability	143,697	136,248
Differences between employer contributions and proportionate share of employer contributions	(1)	10,296
Subsequent measurement contributions	46,989	-
Total	\$ 275,438	\$ 183,311

The \$46,989 reported as deferred outflows of resources related to pensions resulting from the Town of Homer contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ 72,700
2020	36,209
2021	(65,020)
2022	1,250

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

Actuarial Assumptions

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

Valuation Date	June 30, 2018	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Investment Rate of Return	7.20%, net of investment expense	
Inflation rate	2.60%	
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (setback 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	
Projected salary increases	Years of service	Salary growth rate
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Expected remaining service lives	4 years	
Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014, and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables. The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2018 are summarized in the following table:

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	52%	3.58%
Fixed income	22%	0.46%
Alternatives	20%	1.07%
Other	6%	0.17%
Totals	100%	5.28%
Inflation		2.75%
Expected arithmetic nominal return		8.03%

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town of Homer's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the Town of Homer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.20%) or one percentage-point higher (8.20%) than the current rate:

	1.0% Decrease (6.20%)	Current Discount Rate (7.20%)	1.0% Increase (8.20%)
Employer's proportionate share of net pension liability	\$ 1,011,084	\$ 719,491	\$ 474,856

Payables to the Pension Plan

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 – RETIREMENT SYSTEMS (CONTINUED)

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

Plan Fiduciary Net Position

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

NOTE 9 – ON-BEHALF PAYMENTS

Certain employees in the Town's police department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24, the Town has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement totaled \$39,250. The related expenditures of \$39,250 are included in expenditures in the Police Fund.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

At December 31, 2018, the Town has multiple water and sewer projects in progress which are being funded by a combination of loans and grants. The combined total of contracts connected with the projects exceeds eight million dollars. Estimated remaining balances on the contracts exceeds \$1,000,000.

At December 31, 2018, the Town is involved in several lawsuits which are being handled by the Town Attorney and attorneys retained by the Town's insurance company. The suits are in various stages in the court systems. Legal counsel did not estimate potential liability on most suits. However, total potential liability that counsel did estimate is in the range of \$100,000.

Errors have been identified in the calculation of contributions to retirement systems. Management will evaluate the errors that may have occurred for a period of time to be determined. These errors could result in an amount due to or from employees or retirement systems.

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2019, the date on which the financial statements were available to be released.

There have been developments subsequent to the balance sheet date in the litigation described in Note 10. However, the developments do not significantly change the Town's estimated potential liability.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 13 – STEWARDSHIP

For the year ended December 31, 2018, for the sum of expenditures and other uses, actual amounts exceeded budgeted amounts in the following funds:

Fund	Original Budget	Final Budget	Actual	Unfavorable Variance
General	\$ 792,217	\$ 870,383	\$1,011,093	\$ (140,710)
Street	306,931	372,474	386,188	(13,714)
Industrial Development	96,000	74,963	91,691	(16,728)
Police	705,645	795,354	868,873	(73,519)

NOTE 14 – ACCOUNTING STANDARDS

GASB has issued the following statements:

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

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 14 – ACCOUNTING STANDARDS (CONTINUED)

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

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

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

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 14 – ACCOUNTING STANDARDS (CONTINUED)

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

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

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

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 14 – ACCOUNTING STANDARDS (CONTINUED)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued in June 2018. 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. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, was issued in August 2018. 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 14 – ACCOUNTING STANDARDS (CONTINUED)

GASB Statement No. 91, *Conduit Debt Obligations*, was issued May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

NOTE 15 – FUND BALANCE/NET POSITION RESTATEMENT

Fund Financial Statements

The following table discloses restatements of certain fund balances by fund:

	Beginning Balance	Prior Period Adjustments	Beginning Balance, as Restated
General Fund	\$ 466,700	\$ (3,335)	\$ 463,365
Street Fund	107,641	(2,301)	105,340
Industrial Development Fund	93,369	-	93,369
Police Fund	(15,245)	(11,872)	(27,117)
Nonmajor Funds	225,250	(264)	224,986
Enterprise Fund	5,294,154	(4,310)	5,289,844

The beginning fund balances changed due to accrued payroll in the prior year not being recorded.

Governmental-Wide Financial Statements

The following table discloses restatements of net position for governmental and business-type activities in the government-wide financial statements.

	Beginning Balance	Prior Period Adjustments	Beginning Balance, as Restated
Governmental Activities	\$ 3,840,680	\$ (17,772)	\$3,822,908
Business-type Activities	5,294,154	(4,310)	5,289,844

**TOWN OF HOMER
HOMER, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 15 – FUND BALANCE/NET POSITION RESTATEMENT (CONTINUED)

Beginning net position for governmental activities and business-type activities decreased due to restatements of beginning net position/fund balance recorded in governmental and business-type funds and accounts.

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 639,000	\$ 742,294	\$ 728,992	\$ (13,302)
Licenses and permits	62,120	62,120	60,715	(1,405)
Intergovernmental revenues	-	8,502	8,502	-
Charges for services	2,500	2,500	22,440	19,940
Lease income	4,500	4,500	5,700	1,200
Interest earned	3,300	5,155	5,017	(138)
Other revenues	20,660	28,666	61,140	32,474
Total revenues	<u>732,080</u>	<u>853,737</u>	<u>892,506</u>	<u>38,769</u>
Expenditures:				
Current:				
General government:				
Finance and administrative	257,347	257,960	263,580	(5,620)
Legislative	24,000	24,000	24,000	-
Elections	-	-	1,351	(1,351)
Other general government	195,970	204,113	239,711	(35,598)
Public safety	-	-	25,256	(25,256)
Health and welfare	16,900	5,810	12,749	(6,939)
Culture and recreation	12,000	7,500	7,500	-
Total expenditures	<u>506,217</u>	<u>499,383</u>	<u>574,147</u>	<u>(74,764)</u>
Excess (deficiency) of revenues over expenditures	<u>225,863</u>	<u>354,354</u>	<u>318,359</u>	<u>(35,995)</u>
Other sources (uses):				
Operating transfers in	-	-	10,000	10,000
Operating transfers out	<u>(286,000)</u>	<u>(371,000)</u>	<u>(436,946)</u>	<u>(65,946)</u>
Total other sources (uses)	<u>(286,000)</u>	<u>(371,000)</u>	<u>(426,946)</u>	<u>(55,946)</u>
Net change in fund balance	(60,137)	(16,646)	(108,587)	(91,941)
Fund balance at beginning of year, restated	<u>456,323</u>	<u>466,700</u>	<u>463,365</u>	<u>(3,335)</u>
Fund balance at end of year	<u>\$ 396,186</u>	<u>\$ 450,054</u>	<u>\$ 354,778</u>	<u>\$ (95,276)</u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**BUDGETARY COMPARSION SCHEDULE
STREET FUND SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 292,190	\$ 270,935	\$ 260,701	\$ (10,234)
Intergovernmental revenues	6,660	6,660	6,660	-
Interest earned	300	425	385	(40)
Other revenues	1,000	8,469	8,469	-
Total revenues	<u>300,150</u>	<u>286,489</u>	<u>276,215</u>	<u>(10,274)</u>
Expenditures:				
Current:				
Highways and streets	294,281	316,474	331,510	(15,036)
Health and welfare	6,000	9,000	9,529	(529)
Capital outlay	6,650	47,000	45,149	1,851
Total expenditures	<u>306,931</u>	<u>372,474</u>	<u>386,188</u>	<u>(13,714)</u>
Excess (deficiency) of revenues over expenditures	<u>(6,781)</u>	<u>(85,985)</u>	<u>(109,973)</u>	<u>(23,988)</u>
Other sources (uses):				
Operating transfers in	-	10,000	30,146	20,146
Gain (loss) on sale of capital assets	-	1,094	1,094	-
Total other sources (uses)	<u>-</u>	<u>11,094</u>	<u>31,240</u>	<u>20,146</u>
Net change in fund balance	(6,781)	(74,891)	(78,733)	(3,842)
Fund balance at beginning of year, restated	<u>58,798</u>	<u>107,641</u>	<u>105,340</u>	<u>(2,301)</u>
Fund balance at end of year	<u>\$ 52,017</u>	<u>\$ 32,750</u>	<u>\$ 26,607</u>	<u>\$ (6,143)</u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**BUDGETARY COMPARISON SCHEDULE
INDUSTRIAL DEVELOPMENT FUND SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Intergovernmental revenues	\$ 33,000	\$ 27,125	\$ 43,869	\$ 16,744
Lease income	900	3,725	1,925	(1,800)
Interest earned	1,900	1,650	1,645	(5)
Total revenues	<u>35,800</u>	<u>32,500</u>	<u>47,439</u>	<u>14,939</u>
Expenditures:				
Current:				
Economic development	96,000	61,063	61,039	24
Capital outlay	-	13,900	30,652	(16,752)
Total expenditures	<u>96,000</u>	<u>74,963</u>	<u>91,691</u>	<u>(16,728)</u>
Excess (deficiency) of revenues over expenditures	<u>(60,200)</u>	<u>(42,463)</u>	<u>(44,252)</u>	<u>(1,789)</u>
Net change in fund balances	(60,200)	(42,463)	(44,252)	(1,789)
Fund balance at beginning of year	110,646	93,369	93,369	-
Fund balance at end of year	<u>\$ 50,446</u>	<u>\$ 50,906</u>	<u>\$ 49,117</u>	<u>\$ (1,789)</u>

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

**TOWN OF HOMER
HOMER, LOUISIANA**

**BUDGETARY COMPARISON SCHEDULE
POLICE FUND SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 303,633	\$ 311,986	\$ 307,672	\$ (4,314)
Intergovernmental revenues	42,000	42,000	39,250	(2,750)
Charges for services	6,350	16,310	9,935	(6,375)
Fines	65,000	55,300	46,270	(9,030)
Interest earned	200	170	191	21
Other revenues	3,100	16,113	16,142	29
Total revenues	<u>420,283</u>	<u>441,879</u>	<u>419,460</u>	<u>(22,419)</u>
Expenditures:				
Current				
Public safety:				
Police Department	696,645	766,754	846,415	(79,661)
Capital outlay	9,000	28,600	22,458	6,142
Total expenditures	<u>705,645</u>	<u>795,354</u>	<u>868,873</u>	<u>(73,519)</u>
Excess (deficiency) of revenues over expenditures	<u>(285,362)</u>	<u>(353,475)</u>	<u>(449,413)</u>	<u>(95,938)</u>
Other sources (uses):				
Operating transfers in	286,000	371,700	488,263	116,563
Gain (loss) on sale of capital assets	-	3,356	3,356	-
Total sources (uses)	<u>286,000</u>	<u>375,056</u>	<u>491,619</u>	<u>116,563</u>
Net change in fund balance	638	21,581	42,206	20,625
Fund balance at beginning of year, restated	<u>56,834</u>	<u>(20,897)</u>	<u>(26,135)</u>	<u>(5,238)</u>
Fund balance at end of year	<u>\$ 57,472</u>	<u>\$ 684</u>	<u>\$ 16,071</u>	<u>\$ 15,387</u>

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

**TOWN OF HOMER
HOMER, LOUISIANA
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net pension as a percentage of the total pension liability
MERS:					
2015	0.12%	\$ 411,998	\$ 204,808	201.16%	66.18%
2016	0.11%	\$ 447,846	\$ 195,185	229.45%	62.11%
2017	0.09%	\$ 395,999	\$ 171,461	230.96%	62.49%
2018	0.10%	\$ 397,754	\$ 175,376	227.00%	63.94%
MPERS:					
2015	0.07%	\$ 514,574	\$ 203,239	253.19%	70.73%
2016	0.08%	\$ 711,013	\$ 200,023	355.47%	66.04%
2017	0.11%	\$ 948,002	\$ 259,984	364.64%	70.08%
2018	0.09%	\$ 719,491	\$ 251,157	286.00%	71.89%

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

**TOWN OF HOMER
HOMER, LOUISIANA
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

							Contributions as a percentage of
		Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered employee payroll		covered employee payroll
MERS:							
2015	\$	39,508	\$ 39,508	\$ -	\$ 200,041		19.75%
2016	\$	37,727	\$ 37,727	\$ -	\$ 178,288		21.16%
2017	\$	41,538	\$ 41,538	\$ -	\$ 174,909		23.75%
2018	\$	46,298	\$ 46,298	\$ -	\$ 182,303		25.40%
MPERS:							
2015	\$	59,826	\$ 59,826	\$ -	\$ 181,321		32.99%
2016	\$	74,355	\$ 74,355	\$ -	\$ 237,491		31.31%
2017	\$	80,794	\$ 80,794	\$ -	\$ 258,472		31.26%
2018	\$	85,131	\$ 85,131	\$ -	\$ 269,740		31.56%

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

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF HOMER
HOMER, LOUISIANA**

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF DECEMBER 31, 2018**

	Fire	Recreation	Contingency	Tourism	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 153,515	\$ 25,329	\$ 3,537	\$ 437	\$ 182,818
Receivables, net	5,844	10,129	4,391	-	20,364
TOTAL ASSETS	\$ 159,359	\$ 35,458	\$ 7,928	\$ 437	\$ 203,182
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 735	\$ -	\$ -	\$ 410	\$ 1,145
Accrued liabilities	283	-	-	-	283
Total liabilities	1,018	-	-	410	1,428
Fund balances:					
Restricted fund balances	158,341	35,458	7,928	27	201,754
Total fund balances	158,341	35,458	7,928	27	201,754
TOTAL LIABILITIES AND FUND BALANCES	\$ 159,359	\$ 35,458	\$ 7,928	\$ 437	\$ 203,182

**TOWN OF HOMER
HOMER, LOUISIANA**

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Fire	Recreation	Contingency	Tourism	Total Nonmajor Governmental Funds
Revenues:					
Taxes:					
Sales and use	\$ 84,864	\$ 128,796	\$ 46,123	\$ -	\$ 259,783
Other taxes, penalties and interest	-	-	-	18,782	18,782
Intergovernmental:					
State funds:					
Intergovernmental - state funds - fire insurance rebate	25,000	-	-	-	25,000
Charges for services	100	-	-	-	100
Interest earned	2,219	759	89	36	3,103
Other revenues	-	971	-	-	971
Total revenues	<u>112,183</u>	<u>130,526</u>	<u>46,212</u>	<u>18,818</u>	<u>307,739</u>
Expenditures:					
Current:					
Public safety - police department:	108,657	-	-	-	108,657
Culture and recreation	-	159,482	11,400	-	170,882
Economic development	-	-	-	25,732	25,732
Total expenditures	<u>108,657</u>	<u>159,482</u>	<u>11,400</u>	<u>25,732</u>	<u>305,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,526</u>	<u>(28,956)</u>	<u>34,812</u>	<u>(6,914)</u>	<u>2,468</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	6,500	6,500
Operating transfers out	-	-	(32,200)	-	(32,200)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(32,200)</u>	<u>6,500</u>	<u>(25,700)</u>
Net change in fund balances	3,526	(28,956)	2,612	(414)	(23,232)
Fund balances at beginning of year	154,815	64,414	5,316	441	224,986
Fund balances at end of year	<u>\$ 158,341</u>	<u>\$ 35,458</u>	<u>\$ 7,928</u>	<u>\$ 27</u>	<u>\$ 201,754</u>

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF COMPENSATION TO MAYOR AND BOARD OF SELECTMEN
FOR THE YEAR ENDED DECEMBER 31, 2018**

Roy Lewis, Mayor	\$ 48,000
Alonzo Mitchell	4,800
Ray Jiles	4,800
Keldron Johnston	4,800
Brandon Rich	4,800
Clifton Mozeke	4,800
Total	<u>\$ 72,000</u>

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF COMPENSATION, BENEFITS, REIMBURSEMENTS
AND OTHER PAYMENTS TO OR ON BEHALF OF AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2018**

Roy Lewis, Mayor:	
Salary	\$ 48,000
Payroll Taxes	3,672
Insurance	8,193
Travel	409
Registration Fees	290
Conference Travel	3,194
Total	<u>\$ 63,758</u>

OTHER REPORTS



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

**To the Honorable Xanthe Seals, Mayor
and Honorable Members of the Board of Selectmen
Town of Homer
Homer, Louisiana**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Homer, Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town of Homer, Louisiana's basic financial statements, and have issued our report thereon dated October 29, 2019.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-003, 2018-005, and 2018-006 to be material weaknesses.

Town of Homer
Homer, Louisiana
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
December 31, 2018

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as item 2018-007 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Homer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-001, 2018-004, 2018-008, 2018-009, and 2018-010.

Town of Homer's Response to Findings

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

Purpose of this Report

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

BOSCH & STATHAM, LLC



Ruston, Louisiana
October 29, 2019

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on whether the basic financial statements of the Town of Homer were prepared in accordance with GAAP.
2. Four material weakness is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. One significant deficiency relating to the audit of the financial statements are reports 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. Five instances of noncompliance material to the financial statements of the Town of Homer, which are required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2018-001 Maintenance of the Minute and Ordinance Books

First Reported
2016

Type
Noncompliance with Charter

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

Condition
The ordinances that adopted the budgets for 2016, 2017, and 2018, were not filed in the ordinance book at the time of their adoption. During each year's audit, we noted the current year's budget was not filed in the book.

Cause
The Town Clerk did not file the ordinances. No one monitored the ordinance book to ensure it was properly maintained.

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Effect

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

Recommendation

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

Management's Response

See management's corrective action plan.

2018-002 Lack of Controls over Credit Cards

First Reported

2018

Type

Material Weakness in Internal Control

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Criteria

Basic internal control procedures include: 1) Requiring a purchase order prior to incurring expenses on behalf of the Town and 2) Requiring signatures to document goods or services were received. The Town's purchasing policy requires: 1) Centralized purchasing 2) Purchase orders 3) Receiving reports 4) Invoices and 5) Verification of documentation to support payments initialed and dated by the Mayor and Clerk. The Town's credit card policy states that credit cards are not to be used for personal purposes, routine or recurring purchases, or purchases that are subject to the requirements of the Louisiana Public Bid Law. The policy also states that: 1) purchases made by credit card must not circumvent the Town's purchasing policies and procedures and 2) employees are responsible for obtaining receipts and documenting business purposes. Further, the policy states the following:

1. "The clerk is responsible for reviewing the receipts and documentation for propriety (authorization to purchase, documentation of business purpose, etc.) upon the return of the card.
2. At the end of each month, the clerk is to compare the card issuance log, purchase documentation, and purchase orders to the monthly card statement. During this review, the clerk is to ensure that: (1) all card purchases were documented on the issuance log (checking for card usage approval); (2) all purchases are supported by documentation (checking for inappropriate purchases and completeness of purchase documentation); and (3) all purchases were supported by an approved purchase order (checking for proper approval for the purchases).
3. Any purchase/charge without appropriate supporting documentation requires a detailed explanation and description and the written approval of the mayor."

Condition

Controls over the use of Town credit cards are inadequate. Purchases that could be made locally were made on the credit card. We noted no evidence of purchase orders for the purchases on credit cards which indicates the purchases may have circumvented the purchasing system. There is no documented review and approval of statements and receipts. There was at least one instance where it appeared that a purchase was shipped to an employee's home address.

We scanned the credit card statements looking for any unusual items. Noticing what appeared to be a large volume of purchases and questionable purchases, we selected VISA statements for July, September, and November 2018 for further testing. We prepared a summary of charges that may not be necessary and reasonable for the Town or may not be for a town expenditure. Many items could be used in the ordinary operation of the Town but may also be useful in a household. Some of the quantities seemed unusually large.

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Purchases summarized for the three months totaled \$878.39, \$2,504.44, and \$3,266.89. Purchases included the following:

- Monthly Apple iTunes subscription
- Party decorations including multiple types of specialty paper such as linen paper, vellum paper, and cardstock
- Adobe Acropro Subscription
- Amazon Prime Subscription
- Uniforms
- Batteries
- Laptop chargers
- Animal traps
- Fire department equipment and supplies

In other months' statements that we did not recap, we noted the following items:

- Batteries
- Cleaning supplies
- Office supplies
- Desktop computer
- Laptop computer
- Paper – glossy 8.5x11, glossy 8.5x14, glossy 11x17
- Picture frames
- Mini fridge
- Coffee, creamer, and water
- Self-laminating sheets
- Transparent sticker paper
- 11x17 heavyweight glossy card stock
- USB charging cable
- Streaming media cable
- Ethernet adapter for Amazon Fire TV devices

Cause

Town policies and procedures were not followed.

Effect

The Town did not comply with its own policies. Unauthorized purchases could be made. The Town may have paid for goods or services that it did not receive or that were unnecessary.

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Recommendation

Proper internal control includes the environment, risk assessment, information and communication, and monitoring. It is imperative that all employees who are involved in purchasing in any manner believe that management expects the policies to be followed. We recommend:

1. That employees be reminded of the policies and their purposes.
2. That employees be notified that policies will be enforced.
3. That checks to vendors be prepared or signed only if the documentation is complete and appropriate.

Management's Response

See management's corrective action plan.

2018-003 Errors in Payroll Processing

First Reported

2018

Type

Material Weakness in Internal Control

Criteria

Basic internal control over payroll includes procedures to ensure that time reports supporting paychecks are accurate, reviewed, and approved. Town policies should be enforced to include completely and accurately preparing required forms. All state and federal laws and regulations related to payroll should be adhered to.

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Condition

During other audit procedures we became aware of potential errors in calculations of employee and employer contributions to the Municipal Police Employees Retirement System. Therefore, we expanded our testing of payroll transactions multiple times. Ultimately, for five selected police department employees, we selected one paycheck per quarter for additional testing. Of the twenty transactions tested, twelve of the transactions showed a shortage of retirement contributions both employee and employer portions totaling \$84.23 and \$269.53, respectively. Projecting those errors to all police department employees participating in the system and all paychecks for the year, the total shortage could be \$3,000 or more for 2018. We expect that the issue affected multiple years. We also noted the following issues:

1. Retirement contributions for police department employees are always based on 84 hours of regular pay regardless of the number of hours worked by employees. The police department works 12-hour shifts for 7 days out of each pay period.
2. Overtime is sometimes paid after 86 hours instead of the 84 hours in the shift. This may or may not be an issue since the Fair Labor Standards Act requires overtime to be paid for law enforcement after 86 hours. However, the Town was not consistent in the use of the threshold for overtime.
3. The Town's personnel policy does not address the threshold for overtime, how to handle instances where employees' time is short or over for a pay period without authorization.
4. If an employee works part of the pay period and is out part of the pay period, whether due to illness, vacation, or holiday, the hours are shown as regular hours even if that total exceeds 84 hours. Of the twenty transactions we tested, the misclassification of time resulted in \$357.75 being presented as regular hours instead of holiday.
5. If an employee works overtime, the time is converted to regular hours and appears on the payroll register as regular hours. For example, if an employee works 90 hours, instead of seeing 84 regular hours and 6 overtime hours at appropriate rates, the register will show 93 (84 plus (6 times 1.5)) regular hours at the employee's regular rate.

Cause

Internal control policies and procedures may not be adequately designed and may not have been followed. There is no documented review and approval of payroll processing. Previous training may have been misleading.

Effect

We identified the following effects of the weakness:

- Employees could be over or under compensated.
- Contributions to the retirement systems may have been incorrect. The Town could owe employees and/or the retirement systems or employees and/or the retirement systems could owe the Town.
- Payroll reports produced by the Town's payroll accounting software will not be accurate with respect to hours worked and hours paid for leave.

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Recommendation

Proper internal control includes the environment, risk assessment, information and communication, and monitoring. We recommend:

1. Management should immediately determine the correct calculations for the issues described above and ensure that future payrolls are correct.
2. That employees be reminded of the policies and their purposes.
3. That policies be evaluated to determine the need for updates and revisions.
4. That the contracted CPA perform an analysis of payroll to determine whether there were errors in payments to particular employees and to retirement systems. Management should determine what period of time should be evaluated in consultation with legal counsel.
5. Based on the analysis and the advice of legal counsel, management should make plans to collect monies owed to the Town and/or remit monies owed to employees or retirement systems.

Management's Response

See management's corrective action plan.

2018-004 Noncompliance with LA Public Bid Law

First Reported

2018

Type

Noncompliance with State Law

Criteria

Louisiana Revised Statute 38:2212.1 states in part, "A.(1)(a) All purchases of any materials or supplies exceeding the sum of thirty thousand dollars to be paid out of public funds shall be advertised and let by contract to the lowest responsible bidder who has bid according to the specifications as advertised, and no such purchase shall be made except as provided in this Part. (b) However, purchases of ten thousand dollars or more, but less than thirty thousand dollars, shall be made by obtaining not less than three telephone or facsimile quotations. A written confirmation of the accepted offer shall be obtained and made a part of the purchase file. If quotations lower than the accepted quotation are received, the reasons for their rejection shall be recorded in the purchase file."

Condition

During inquiries, the Town responded that no items were let for bid and no quotes were obtained for any purchases. During other audit procedures, we noted the purchase of a dump truck for \$71,746 and the purchase of a 2013 Chevy Tahoe for \$10,200.

Cause

Internal control over compliance with the bid law failed to ensure compliance.

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Effect

The Town did not comply with the bid law. Since the bid law is intended to ensure that Louisiana governmental entities purchase equipment at the best available price, the Town may have incurred unnecessary costs.

Recommendation

We recommend that management evaluate written policies and procedures to ensure they are complete and clear. The policies and procedures should include an element of monitoring to ensure that policies and procedures are implemented and continually followed. Finally, we recommend that the Town Attorney be consulted before large purchases are initiated. This procedure should also be included in the Town's written policies and procedures.

Management's Response

See management's corrective action plan.

2018-005 Error in Industrial Development Fund Budget

First Reported

2018

Type

Material Weakness in Internal Control

Criteria

Generally accepted accounting principles require a budget to actual statement that includes columns for the original budget, amended budget, and actual amounts. Basic internal control procedures include comparison of budget amounts to actual amounts throughout the year. Both management and the Board should be reviewing such comparisons and using them to make decisions.

Condition

The original budget column presented in the original budget and the same column presented in the amended budget did not agree with each other. Therefore, incorrect comparisons were presented to the board and the auditor.

Cause

There was no apparent review of the preparation of the budget documents.

Effect

Management and the Board may have used incorrect information during the year. The required supplementary information (budget comparison schedule) in the year-end financial statements might have contained incorrect amounts.

Recommendation

We recommend that internal control include review of the budget documents by someone other than the preparer.

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Management's Response

See management's corrective action plan.

2018-006 Failure to Update Receivables and Payables

First Reported

2018

Type

Material Weakness in Internal Control

Criteria

Basic accounting procedures include reversing prior year receivables and payables and recording current year amounts.

Condition

The trial balances submitted to the auditor contained prior year receivable and payable amounts totaling approximately \$342,000 and \$416,000. Prior year receivables and payables were not reversed, and current year amounts were not recorded.

Cause

There was an election during the fiscal period that resulted in turnover of management and the accountant as of year-end.

Effect

Audit adjustments were required. Financial statements provided to management and the Board during the fiscal year were misstated.

Recommendation

We recommend that appropriate adjustments be made at year end prior to audit if not monthly. Management should evaluate internal control to ensure that the deficiency is addressed.

Management's Response

See management's corrective action plan.

2018-007 Late Payments on the Accounts of Officials and Employees

First Reported

2018

Type

Significant Deficiency in Internal Control

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Criteria

Best practices in management of utility services include ensuring that service is terminated when a customer fails to pay a bill on time. Additionally, employees and elected officials should be held to a higher standard than other customers. Adjustments to customer accounts should only be made when the Town is at fault such as when a billing error is made.

Condition

We inspected utility account histories for the accounts of elected officials and employees of town hall. We noted that several officials and employees regularly paid late incurring penalties. At two separate times during the year, one employee failed to completely pay the balance in her utility account as she only made partial payments in some months. It appears that the employee's water service was not terminated as is prudent in such situations. Small adjustments were made to reduce the balances of the aforementioned employee and one other.

Cause

Internal control failed to ensure that cutoff policies were enforced.

Effect

The parties charged with enforcing utility account policies did not set an example by following the policies themselves. Improper adjustments may be made to customer accounts. When service is not terminated in accordance with policy, balances may reach a point that a customer cannot pay which could result in lost revenue.

Recommendation

We recommend that management evaluate current written policies and make revisions as necessary to include monitoring to make sure policies are properly implemented.

Management's Response

See management's corrective action plan.

2018-008 Lack of Evidence of Required Ethics Training

First Reported

2018

Type

Noncompliance with State Law

Criteria

LRS 42:1170 requires each public official and public servant to complete one hour of ethics training during each year of his public employment or term of office.

Condition

We selected five employees or officials for testing. There was no documentation of 2018 training for three out of five employees or officials.

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cause

We were unable to determine the cause.

Effect

The Town and the individuals are not in compliance with state law.

Recommendation

We recommend that the Town's designated liaison ensure that all officials and employees receive the required training in a timely manner.

Management's Response

See management's corrective action plan.

2018-009 Failure to Amend Budgets in Accordance with the Local Government Budget Act

First Reported

2018

Type

Noncompliance with State Law

Criteria

The Louisiana Local Government Budget Act states the following regarding budget amendments "A. When the governing authority has received notification pursuant to R.S. 39:1311, or there has been a change in operations upon which the original adopted budget was developed, the governing authority shall adopt a budget amendment in an open meeting to reflect such change. When an independently elected parish official has received notification pursuant to R.S. 39:1311(A), or when there has been a change in operations upon which the original adopted budget was developed, the independently elected official shall adopt a budget amendment and publish such amendment in the official journal as described by R.S. 39:1307(B). In no event shall a budget amendment be adopted proposing expenditures which exceed the total of estimated funds available for the fiscal year."

Condition

For the year ended December 31, 2018, the General Fund, Industrial Development Fund, and Police Fund's expenditures and other uses exceeded the final amended budgeted expenditures by 15%, 22%, and 39%, respectively.

Cause

The cause of the variances in the General and Police Funds is unclear. An audit adjustment for additional payables was required in the Industrial Development Fund.

Effect

The Town is not in compliance with the Budget Act. The Budget Act is designed to prevent overspending.

**TOWN OF HOMER
HOMER, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Recommendation

We recommend that management be diligent in estimating expenditures for the year in order to amend the budget when required to by the Act and presumably prevent overspending.

Management's Response

See management's corrective action plan.

2018-010 Audit Report Filed After Due Date

Year First Reported

2018

Type

Noncompliance with State Law

Criteria

The Louisiana Audit law requires the Town to submit audited financial statements by June 30th following the December 31st year end.

Condition

The Town's audited financial statements as of and for the year ended December 31, 2018, will be filed with the Legislative Auditor after the due date of June 30, 2019.

Cause

The auditor identified an issue with the calculation of retirement contributions which required further procedures. The condition is reported in findings number 2018-003

Effect

The Town is not in compliance with the audit law and will not receive state funds that may be due until the report is submitted.

Recommendation

We recommend that management consider the findings and audit adjustments and make additional changes where necessary to ensure that the next audit can be completed as efficiently as possible.

Management's Response

See management's corrective action plan.

**TOWN OF HOMER
HOMER, LOUISIANA**

**STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken Yes, No, Partially	Planned Corrective Action/Partial Corrective Action Taken
2017-001	2016	Maintenance of the Minute and Ordinance Books	No	See 2018-001
2017-002	2017	Internal Control over Bank Reconciliations	Yes	



MANAGEMENT LETTER

**To the Town of Homer
Homer, Louisiana**

In planning and performing our audit of the financial statements of the Town of Homer, as of and for the year ended December 31, 2018, we considered the Town's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving internal control that are presented for your consideration. This letter does not affect our report dated October 29, 2019, on the financial statements of the Town. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations. Our comments and management's responses are summarized as follows:

ML2018-001 Management of Funds

First Reported 2018

Criteria

Financial statements are prepared under the assumption that the Town will continue to be able to operate and meet its obligations in a timely manner. Operating at a deficit, failing to meet obligations when they are due, and using funds intended for other activities or functions are indicators that there is some doubt as to whether the Town can continue as a going concern.

In Louisiana, laws and regulations are designed to encourage local government entities to operate and manage utility systems (water and sewer) as business-type activities where the users of the systems pay the cost of their usage. Costs of the system include current year operating costs as well as future repairs, maintenance, and upgrades to infrastructure and equipment.

**TOWN OF HOMER
HOMER, LOUISIANA**

**MANAGEMENT LETTER
FOR THE YEAR ENDED DECEMBER 31, 2018**

Condition

As of December 31, 2018, the Town had the following in equity and cash positions in its major funds:

	Total Equity	Equity Available for Use	Cash (Excluding Amounts Restricted for Meter Deposits and Debt)	Average Annual Expenditures/ Expenses	Years' Expenditures/ Expenses in Equity
Government- Wide Governmental Activities	\$3,416,644	(\$300,405)	\$516,801	\$2,270,000	NONE
Government- Wide Business- Type Activities/Enterp rise Fund	\$5,970,274	\$1,387,854	\$602,173	\$1,370,000	1.0
General Fund	\$354,778	\$354,778	\$213,641	\$520,000	0.7
Street Fund	\$26,607	\$26,607	\$6,502	\$329,000	0.1
Industrial Development Fund	\$49,117	\$49,117	\$108,287	\$86,000	0.6
Police Fund	\$16,071	\$16,071	\$5,553	\$829,000	0.0

Generally speaking, a good rule of thumb for equity is six months to one year of expenditures. However, for Business-Type Activities, future repairs and upgrades should be planned for. Therefore, the need for reserves in that fund may be much larger. At December 31, 2018, none of the activities or funds are in an ideal position and the governmental activities are in a deficit position with respect to unrestricted equity. If current levels of revenues and expenditures continue, or if expenditures increase without an increase in revenues, or if a major repair is required, the Town's activities and funds are at risk for sliding into deficit positions.

Cause

Costs typical rise faster than revenues. Many municipalities rely on grants to fund repairs and upgrades. Many elected officials are reluctant to raise utility rates.

Effect

The Town may not be able to sustain current service levels or properly maintain its utility systems.

**TOWN OF HOMER
HOMER, LOUISIANA**

**MANAGEMENT LETTER
FOR THE YEAR ENDED DECEMBER 31, 2018**

Recommendation

We recommend that the Board explore options for increasing revenues and decreasing expenditures in the General Fund. Such options may include asking the taxpayers for ad valorem or sales taxes to support the police department, fire department, street department, or general purposes and/or reducing the level of service in the police or fire departments. We also caution management and the Board to be conservative in approving budgets/expenditures of the General Fund.

We recommend that management and the Board use Enterprise Fund monies only for utility systems. We noted that, in early 2019, over \$200,000 was transferred from Enterprise Fund to General Fund to fund recreation department projects. Finally, we recommend that management and the Board routinely evaluate utility rates annually to determine whether rate increases are necessary to maintain and upgrade the utility systems.

Management's Response

See management's corrective action plan.

ML2018-002 Organization of Grant Files

First Reported

2018

Criteria

Internal control over grant files is essential to ensuring that the Town complies with laws, regulations, and grant agreements. Proper grant files provide an audit trail and assist in determining appropriate accounting entries, thus affecting the financial statements.

Condition

While testing grant transactions, we noted that files could be better organized, that some files were incomplete or missing documents, and that some documents were included that were meant to be included in other files.

Cause

Grant projects typically require a significant amount of paperwork. Whomever is charged with maintaining the files must have some knowledge of the grant program.

Effect

The Town could fail to comply with requirements set by laws, regulations, or grant agreements. The Town's financial statements could be misstated.

Recommendation

We recommend management evaluate internal controls over grant administration and revise written policies and procedures accordingly. Staff in charge of grant files should be properly trained and supervised.

Management's Response

See management's corrective action plan.

**TOWN OF HOMER
HOMER, LOUISIANA**

**MANAGEMENT LETTER
FOR THE YEAR ENDED DECEMBER 31, 2018**

ML2018-003 Approval and Documentation of Travel Expenses

First Reported

2018

Criteria

Common basic practice for internal control over travel expenses includes the following: authorization prior to travel, limitations on different types of expenses, documentation of who incurred expenses and why, receipts for expenses, documentation of approval of documents, and documentation of approval for payments and reimbursements.

Condition

We selected for testing five transactions involving different officials and employees. Two out of five exceeded the GSA or state rate. Two out of five did not include evidence that the documentation had been reviewed and approved.

Cause

The cause of the condition is likely failure of clear communication of requirements.

Effect

The Town could pay unnecessary expenditures.

Recommendation

We recommend that management evaluate current internal control and revise written policies and procedures as deemed necessary. Management should also clearly communicate requirements to officials and employees.

Management's Response

See management's corrective action plan.

ML2018-004 Utility System Management Training for Officials and Employees

First Reported

2018

Criteria

Proper internal control includes proper training.

Condition

In our experience, many elected officials and employees responsible for overseeing or managing water and sewer systems have not had formal training in all aspects of management and operation.

Cause

Elected officials and management may not be aware of training sponsored by the Louisiana Rural Water Association.

**TOWN OF HOMER
HOMER, LOUISIANA**

**MANAGEMENT LETTER
FOR THE YEAR ENDED DECEMBER 31, 2018**

Effect

Management mistakes could occur, or inefficiencies could cost the Town unnecessary expenses.

Recommendation

We recommend that all elected officials and appropriate employees be required to attend the training offered by the Louisiana Rural Water Association.

Management's Response

See management's corrective action plan.

Shenika Wright
Town Clerk



Lori Graham
Town Attorney

Dr. Xanthe Y. Seals, Mayor

October 29, 2019

Bosch & Statham, LLC
Post Office Box 2377
Ruston, LA 71273-2377

In connection with your engagement to apply agreed-upon procedures to certain control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period January 1, 2018 through December 31, 2018, we confirm to the best of our knowledge and belief, the following representations made to you during your engagement.

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

Yes ☒ No ☐

2. For the fiscal period January 1, 2018 through December 31, 2018, the C/C areas were administered in accordance with the best practice criteria presented in the SAUPs.

Yes ☒ No ☐

3. We are responsible for selecting the criteria and procedures and for determining that such criteria and procedures are appropriate for our purposes.

Yes ☒ No ☐

4. We have disclosed to you all known matters contradicting the results of the procedures performed in C/C areas.

Yes ☒ No ☐

5. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others affecting the C/C areas, including communications received between December 31, 2017, and October 29, 2019.

Yes ☒ No ☐

6. We have provided you with access to all records that we believe are relevant to the C/C areas and the agreed-upon procedures.

Yes ☒ No ☐

Linda Hardaway - District 1, Johnny "Road Buddy" West - District 2, Keldron Johnston - District 3,
Brandon Rich -District 4, Patricia Jenkins -District 5

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7. We represent that the listing of bank accounts for the fiscal period that we provided to you is complete. We also represent that we have identified and disclosed to you our main operating account.
- Yes ☒ No ☐
8. We represent that the listing of deposit sites for the fiscal period that we provided to you is complete.
- Yes ☒ No ☐
9. We represent that the listing of collection locations for the fiscal period that we provided to you is complete.
- Yes ☒ No ☐
10. We represent that the listing of locations that process payments for the fiscal period that we provided to you is complete.
- Yes ☒ No ☐
11. We represent that the non-payroll disbursement transaction population for each location that processes payments for the fiscal period that we provided to you is complete.
- Yes ☒ No ☐
12. We represent that the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards, that we provided to you is complete.
- Yes ☒ No ☐
13. We represent that the listing of all travel and travel-related expense reimbursements during the fiscal period that we provided to you is complete.
- Yes ☒ No ☐
14. We represent that the listing of all agreements/contracts (or active vendors) for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period that we provided to you is complete.
- Yes ☒ No ☐
15. We represent that the listing of employees/elected officials employed during the fiscal period that we provided to you is complete.
- Yes ☒ No ☐
16. We represent that the listing of employees/officials that received termination payments during the fiscal period that we provided to you is complete.
- Yes ☒ No ☐
17. We represent that the employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines during the fiscal period.

*Linda Hardaway - District 1, Johnny "Road Buddy" West - District 2, Keldron Johnston - District 3,
Brandon Rich -District 4, Patricia Jenkins -District 5*

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Yes ☒ No ☐

18. We represent that the listing of bonds/notes issued during the fiscal period that we provided to you is complete.

Yes ☒ No ☐

19. We represent that the listing of bonds/notes outstanding at the end of the fiscal period that we provided to you is complete.

Yes ☒ No ☐

20. We represent that the listing of misappropriations of public funds and assets during the fiscal period that we provided to you is complete.

Yes ☒ No ☐

21. We have disclosed to you [*list other matters as you have deemed appropriate*].

Yes ☒ No ☐

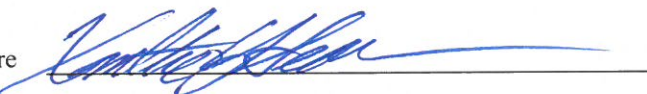
22. We have responded fully to all inquiries made by you during the engagement.

Yes ☒ No ☐

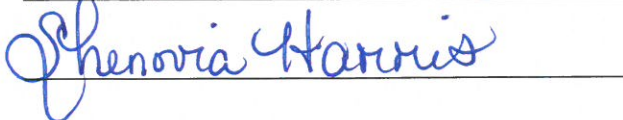
23. We are not aware of any events that have occurred subsequent to December 31, 2018, that would require adjustment to or modification of the results of the agreed-upon procedures.

Yes ☒ No ☐

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

Signature 

Title Mayor

Signature 

Title Treasurer

**Linda Hardaway - District 1, Johnny "Road Buddy" West - District 2, Keldron Johnston - District 3,
Brandon Rich - District 4, Patricia Jenkins - District 5**

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Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Town of Homer
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Town of Homer (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

We obtained the entity's written policies and procedures along with the employee handbook.

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

The policy included the preparing, adopting, monitoring, and amending of the budget.

Exceptions: None

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

The policy did not include (1) how purchases are initiated or (2) how vendors are added to the vendor list.

Exceptions: See above.

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

TOWN OF HOMER
REPORT ON STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

The policy included the referenced functions.

Exceptions: None

- d) **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The policy did not include management's actions to determine the completeness of all collections.

Exceptions: See above.

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

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

The policy included reviewing and approving leave and overtime worked but does not include payroll processing or the reviewing and approving for time and attendance records.

Exceptions: See above.

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

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

The policy discusses the services requiring written contracts and the necessary legal review, but does not define the standard terms and conditions, approval process, or the monitoring process.

Exceptions: See above.

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

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

The policy discusses (1) how the cards are to be controlled, (3) documentation requirements, (4) required approvers of statements but does not discuss (2) allowable business uses, or (5) monitoring card usage.

Exceptions: See above.

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

TOWN OF HOMER
REPORT ON STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

The policy discusses (1) allowable expenses, (3) documentation requirements, and (4) required approvers, but does not discuss (2) dollar thresholds by category of expense.

Exceptions: See above.

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

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

The policy discusses (2) actions to be taken if violation occurs but does not discuss (1) the prohibitions as defined by Louisiana Revised Statute 42:1111-1121; and (3) system to monitor possible ethics violations or (4) requirements of annual attestation.

Exceptions: See above.

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

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

The Town has not adopted or implemented a formal written debt service policy.

Exceptions: See above.

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

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

We obtained and reviewed the board minutes for the fiscal period, as well as the board's charter in effect during the fiscal period.

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

We observed the Board met at least monthly.

Exceptions: None

TOWN OF HOMER
REPORT ON STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

The minutes did not reference or include monthly budget-to-actual comparisons.

Exceptions: See above.

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

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

We obtained the prior year audit report and observed a positive unrestricted fund balance in the General Fund.

Exceptions: None.

Bank Reconciliations

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

We obtained a listing of bank accounts for the fiscal period from management. We selected the main operating account and randomly selected four additional accounts. One listed account was not opened until 2019. Therefore, we omitted one account and chose another account. We randomly selected one month and obtained and inspected the corresponding bank statement and reconciliation.

Exceptions: None

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

All five of the bank accounts selected were prepared within two months of the closing date.

Exceptions: None

TOWN OF HOMER
REPORT ON STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

None of the bank reconciliations included evidence of review.

Exceptions: See above.

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

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

None of the bank reconciliations included stale items older than 12 months.

Exceptions: None

Collections

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

We obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. The Town has only 1 deposit site.

Exceptions: None

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

We obtained a listing of collection locations and management's representation that the listing is complete. The Town has only 1 collection site. We inquired of employees about their job duties. We observed that job duties are properly segregated as per below.

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

We noted no exceptions.

Exceptions: None

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

We noted no exceptions.

Exceptions: None

**TOWN OF HOMER
REPORT ON STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

We noted no exceptions.

Exceptions: None

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

We noted no employee responsible for reconciling cash collections to the general ledger.

Exceptions: See above.

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

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

We inquired of management. All employees who have access to cash appear to be covered by a bond or insurance policy for theft.

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

We randomly selected two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above. We obtained supporting documentation for each of the 10 deposits.

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

We noted no exceptions.

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

We noted no exceptions.

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

We noted no exceptions.

TOWN OF HOMER
REPORT ON STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

We tested 10 deposits, with 15 receipts included in those deposits. We noted 4 deposits were made within one business day of receipt at the collection location, or within 1 week if the deposit was less than \$100. We noted 2 deposits were not made within one week, or within 1 week if less than \$100. We noted 9 instances where we were unable to determine if the receipt was deposited within one day of collection, because the receipt date was not documented for checks mailed into the Town for which a receipt is not issued.

Exceptions: See above.

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

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

We noted no exceptions.

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

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

We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. There is only one location.

Exceptions: None

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

We obtained a listing of employees involved with non-payroll purchasing and payment functions. There is only one employee with such duties. We inquired of the employee about her job duties, as there are no written policies relating to employee job duties.

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

We noted there are at least two employees involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. Purchases can be initiated by department heads (Mayor, Superintendent, and Police Chief), and all purchase orders must be approved by the Mayor.

Exceptions: None

**TOWN OF HOMER
REPORT ON STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

We noted at least two employees are involved in processing and approving payments to vendors. Payments are processed by the Accounts Payable Clerk, and all checks must be signed by the Mayor and a designated board member.

Exceptions: None

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

The employee responsible for processing payments is also allowed to add/modify vendor files. We noted no employee who periodically reviews those changes/additions.

Exceptions: See above.

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

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

We noted the employee who prepares the checks also mails the checks after they are signed, in most cases.

Exceptions: See above.

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

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

We randomly selected 5 disbursements from the funds maintained by the Town, since there was only one disbursement location. We used judgment in determining which funds to select the sample out of.

Exceptions: None.

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

We noted 21 disbursements did match the related invoice/billing statement. However, 4 out of 21 disbursements were not supported by original invoices/billing statements.

Exceptions: See above.

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

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

We noted no exceptions.

Exceptions: None

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

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

We obtained from management a listing of all active credit cards for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.

Exceptions: None

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

There were four cards on the list. Therefore, all cards were selected for testing. We randomly selected one monthly statement for each card and obtained the available supporting documentation.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

We determined that one card had no activity for the year. Therefore, there were no statements to test. For one of three statements tested, we observed evidence that the monthly statement was reviewed and approved in writing by someone other than the approved cardholder. We did not observe written review and approval on two of three statements.

Exceptions: See above.

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

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

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

Exceptions: None

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

Of thirteen transactions tested, we noted ten transactions were supported by original itemized receipts. Three transactions were not supported by original itemized receipts.

We noted eight of thirteen transactions were supported by documentation of the business/public purpose while five of thirteen transactions were not.

We noted no transactions including meal charges.

Exceptions: See above.

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

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

We obtained general ledgers from management and management's representation that the general ledgers are complete. We created a listing of travel and travel-related expense reimbursements from the general ledgers. We randomly selected 5 reimbursements from that listing and obtained the related documentation for each reimbursement selected.

Exceptions: None

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

We noted three reimbursements that were issued using a per diem. Two out of three reimbursements were not in accordance with the State of Louisiana's travel guide rates.

Exceptions: See above.

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

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

Two of the selected reimbursements were issued based on actual costs. Both reimbursements were supported by original itemized receipts.

Exceptions: None.

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

We noted no exceptions.

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

For two of the reimbursements, there was no documentation that the reimbursements were reviewed and approved.

Exceptions: See above.

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

Contracts

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

We requested from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. We identified several agreements/contracts that were initiated or renewed before the fiscal year. We did not consider such contracts for testing. We obtained management's representation that the listing is complete. As there were only 4 contracts that were initiated or renewed during the fiscal period, we selected all 4 contracts for testing.

Exceptions: None

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

We noted no contracts on the list that were subject to the requirements of the LA Public Bid Law.

Exceptions: None.

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

We noted all contracts were approved in the minutes.

Exceptions: None.

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

We noted no contracts that were amended.

Exceptions: None.

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

We randomly selected one payment from each of the four contracts tested. We agreed the invoice to the contract terms and the related payment to the terms and conditions of the contract. We noted no exceptions.

Exceptions: None.

Payroll and Personnel

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

We extracted an employee listing from the client's accounting software and randomly selected five employees/officials. We obtained related paid salaries/wages and personnel files and agreed the paid rate to authorized rate for all five employees.

Exceptions: None

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

We randomly selected one pay period during the fiscal period and obtained the available attendance records and leave documentation for the pay period.

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

Four out of five selected employees are hourly employees. One employee is salaried. Attendance records were maintained for the hourly employees. The Town does not require attendance records for salaried employees.

Exceptions: See above.

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

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

One employee did not maintain an attendance record. Three of the remaining four attendance records were signed by supervisors. Two out of five employees used leave during the selected period. Approval of leave was documented for one employee.

Exceptions: See above.

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

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

Two out of five employees used leave during the selected period. One of the two employees' leave records reflected that leave was taken.

Exceptions: See above.

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

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

Management did not list any employees who received termination payments.

Exceptions: None

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

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

Exceptions: During other procedures, we noted errors in calculating the basis for retirement contributions which resulted in errors in contributions submitted to the retirement system. Management will need to determine the total amount of the errors. The evaluation could result in amounts due from or to employees or retirement systems.

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

Ethics

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

We requested ethics documentation from management for the five employees/officials selected for testing under procedure #16.

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

We observed documentation for two out of five selected employees that demonstrated that each employee/official completed one hour of ethics training during the fiscal period.

Exceptions: See above.

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

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

There was no evidence in personnel files of the selected employees that the employee/official attested through signature verification that he/she read the entity's ethics policy during the fiscal period. However, management asserts that signed forms were obtained but they are unable to locate them after the administration changed effective January 1, 2019.

Exceptions: See above.

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

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Management listed no new bonds/notes issued during the fiscal period.

Exceptions: None.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Management listed no bonds/notes outstanding at the end of the fiscal period.

Exceptions: During audit procedures, we note that there are outstanding notes and bonds. We tested debt covenants. A sinking fund and reserve were required for the bond that was tested. The sinking fund was overfunded while the reserve fund was underfunded by \$4,251.70.

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

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management listed no misappropriations.

Exceptions: None

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We observed the required notice posted at Town Hall and on the Town's website.

Exceptions: None

**TOWN OF HOMER
REPORT ON STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

BOSCH & STATHAM, LLC



Ruston, Louisiana
October 29, 2019

Shenika Wright
Town Clerk



Lori Graham
Town Attorney

Dr. Xanthe Y. Seals, Mayor

October 29, 2019

Bosch & Statham
Melissa Eubanks Bosch, CPA
Post Office Box 2377
Ruston, LA 71273-2377

Re: Corrective Action Plan – 2018 Audit Findings

To Whom It May Concern:

In response to the 2018 Audit Report, the Town of Homer issues the following corrective action plan:

2018-001 Maintenance of the Minute and Ordinance Books

The Town will ensure that the Town Clerk files all ordinances and other supporting documents required in the official minute book and ordinance book and ensure all records are properly dated and signed as official final copies to show authenticity. We will also conduct routine examinations of the clerk book to check for compliance.

2018-002 Lack of Controls over Credit Cards

The Town will ensure that all credit card purchases have prior authorization and approval that are initialed and dated by the Mayor, that all employees obtain proper receipts and documentation of the business purpose and ensure that the Town is not circumventing the towns purchasing policies and procedures.

2018-003 Errors in Payroll Processing

The Town's payroll person has received a memo describing the proper way to enter time to the payroll system so time is properly reported. Specifically, that time must be entered according to whether it is straight time, overtime, sick time, vacation time, etc. and not lumped into one single entry in straight time. The memo was reviewed and discussed and she confirms she understands what needs to be done and why. The next two payrolls will be reviewed prior to finalizing to confirm data is being properly entered.

Concerning the question about overtime for police, the Town's traditional policy has been an officer's standard shift is 12 hours and he works 7 days in a payroll period which equals 84 hours. That said, there are still 2 hours of straight time the officer is eligible to earn before overtime begins. That time may be used to testify in court or to tend to other matters for the police department. On the other hand, there are pay periods where an officer only works his shifts and does not earn the additional 2 straight time hours. Therefore, calculating retirement on either 84 or 86 straight time hours is appropriate and no overtime has been included in the retirement calculation in either case.

**Linda Hardaway - District 1, Johnny "Road Buddy" West - District 2, Keldron Johnston - District 3,
Brandon Rich -District 4, Patricia Jenkins -District 5**

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The payroll clerk advised that this has been the traditional way to calculate payroll as she was trained and the former financial consultant confirmed. The policy has never been committed to writing as a formal policy. It is being recommended to the Mayor that the town adopt a policy formalizing that the police department's standard hourly straight time in a pay period is 86 hours long. That the standard police work shift is 12 hours with 7 days in a pay period, yielding 84 hours with 2 additional straight time hours are available in a pay period to be used as needed by the police department.

The Town therefore believes the calculation for straight time, overtime and retirement is correct.

2018-004 Noncompliance with LA Public Bid Law

For the \$71,746 dump truck, the equipment was bought under the blanket state approval contract so a bid was not required.

For the \$10,200 2013 Chevy Tahoe, when the purchase was evaluated, it was anticipated the final amount would be under \$10,000.00 and so bids were not taken on the purchase process. Unfortunately, the actual amount that had to be paid for the purchase did, in fact, turn out to be over \$10,000 and so was an inadvertent oversight of Louisiana public bid laws. The Town needs to be more diligent in observing the bid law thresholds going forward.

2018-005 Error in Industrial Development Fund Budget

The preparer of the budget believes the budget was properly updated and the correct original budget, amended budget and actual amounts were used by the Town during the year. The preparer believes an incorrect version of the document was given to the auditor during the audit process by Town personnel primarily due to the retirement of the budget preparer in January 2019.

The Town agrees there needs to be a review of the budget documents by someone other than the preparer. The oversight in document submission was inadvertent and a greater effort will be made to properly submit the correct documents next year.

2018-006 Failure to Update Receivables and Payables

When the audit adjustments are received from the auditor and booked to the various funds, updated trial balances and balance sheets will be given to the Mayor to compare to the audited financial statements to confirm that the proper adjustments have been booked.

2018-007 Late Payments on the Accounts of Officials and Employees

The Town's policy for late payments was reviewed with all members of the office staff. It was explained that in the normal course of business there were no exceptions to be made to anyone who failed to pay their utility bill by the final monthly deadline. It was specifically pointed out that the policy covered all Town elected officials and all employees of the Town. In the event that the person normally in charge of doing "cut-offs" happened to be on the list, then the cut-off task should be assigned to another person for that particular month.

*Linda Hardaway - District 1, Johnny "Road Buddy" West - District 2, Keldron Johnston - District 3,
Brandon Rich -District 4, Patricia Jenkins -District 5*

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2018-008 Lack of Evidence of Required Ethics Training

The Town will ensure all officials and employees receive required training in a timely manner. Also, provide local avenues to receive training and provide proof of that training in each personnel file yearly as applicable.

2018-009 Failure to Amend Budgets in Accordance with the Local Government Budget Act

The preparer of the budget expressed certainty that the budget was properly adjusted by 12/31/18 to be in compliance with the Louisiana Local Government Budget Act. While additional budget amendments were passed in December 2018, it was in the November 2018 council meeting that the budget amendment resolution was adopted that brought the Town within budget guidelines. He can only guess that as with previously addressed audit finding 2018-005, the wrong information was provided to the auditor.

The Town will have staff cross check the documents submitted for next year's audit to confirm the documents are accurate and correct.

2018-010 Audit Report Filed After Due Date

The Town will consider the findings and audit adjustments and make additional changes where necessary to ensure that the next audit can be completed as efficiently as possible as recommended.

Statewide Agreed-Upon Procedures

We will take the comments in the accountant's report on agreed-upon procedures under advisement and take action as considered necessary.

The Town will take the comments and recommendations from the management letter under advisement. We hope that these responses are appropriate and will satisfy your requirements.

Respectfully,



Dr. Xanthe Y. Seals, Mayor
Town of Homer

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