

TOWN OF LEONVILLE, LOUISIANA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017



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VIGE, TUJAGUE NOEL

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

151 N. 2ND STREET
P. O. BOX 1006
EUNICE, LOUISIANA 70535

SHIRLEY VIGE, JR., C.P.A.
FRANK G. TUJAGUE, C.P.A.
DOMINIQUE M. NOEL, C.P.A.

TELEPHONE:
337-457-9324
FAX:
337-457-8743

INDEPENDENT AUDITOR'S REPORT

The Honorable Joel Lanclos, Jr., Mayor,
and Members of the Board of Alderman
Town of Leonville, 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 Leonville, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Leonville, Louisiana, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in 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 budgetary comparison information and pension schedules listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

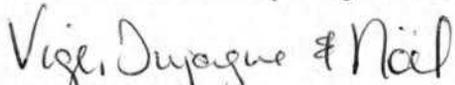
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Leonville, Louisiana's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of compensation, benefits, and other payments to agency head, as listed in the table of contents, as required by the State of Louisiana, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of compensation, benefits, and other payments to 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 and individual nonmajor fund financial statements, and the schedule of compensation, benefits, 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 December 27, 2017, on our consideration of the Town of Leonville, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Leonville, Louisiana's internal control over financial reporting and compliance.


Vige, Yujague & Noel
Eunice, Louisiana
December 27, 2017

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TOWN OF LEONVILLE, LOUISIANA
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,568	\$ 228,977	\$ 243,545
Receivables, net	209,137	142,851	351,988
Unbilled receivables	-	48,772	48,772
Grant receivables	-	97,077	97,077
Prepaid insurance	12,653	23,311	35,964
Other assets	1,909	-	1,909
Total current assets	<u>238,267</u>	<u>540,988</u>	<u>779,255</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	-	362,920	362,920
Capital assets, net	1,681,195	12,010,273	13,691,468
Total noncurrent assets	<u>1,681,195</u>	<u>12,373,193</u>	<u>14,054,388</u>
Total assets	<u>1,919,462</u>	<u>12,914,181</u>	<u>14,833,643</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>97,679</u>	<u>179,264</u>	<u>276,943</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	192,505	158,033	350,538
Current portion of notes payable	-	81,320	81,320
Total current liabilities	<u>192,505</u>	<u>239,353</u>	<u>431,858</u>
Noncurrent liabilities:			
Customers deposits payable	-	16,880	16,880
Notes payable	-	5,852,212	5,852,212
Net pension liability	269,264	452,608	721,872
Total noncurrent liabilities	<u>269,264</u>	<u>6,321,700</u>	<u>6,590,964</u>
Total liabilities	<u>461,769</u>	<u>6,561,053</u>	<u>7,022,822</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>60,519</u>	<u>31,066</u>	<u>91,585</u>
NET POSITION			
Invested in capital assets, net of related debt	1,681,195	6,076,741	7,757,936
Restricted for debt service	-	362,920	362,920
Unrestricted	(186,342)	61,665	(124,677)
Total net position	<u>\$ 1,494,853</u>	<u>\$ 6,501,326</u>	<u>\$ 7,996,179</u>

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

TOWN OF LEONVILLE, LOUISIANA
Statement of Activities
For the Year Ended June 30, 2017

Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 64,389	\$ -	\$ -	\$ -	\$ (64,389)	\$ -	\$ (64,389)
Public safety:							
Police	198,757	28,007	10,400	-	(160,350)	-	(160,350)
Streets	56,349	-	7,391	277,242	228,284	-	228,284
Total governmental activities	<u>319,495</u>	<u>28,007</u>	<u>17,791</u>	<u>277,242</u>	<u>3,545</u>	<u>-</u>	<u>3,545</u>
Business-type activities:							
Gas	76,032	54,042	-	-	-	(21,990)	(21,990)
Water	1,109,711	1,226,785	-	-	-	117,074	117,074
Sewer	279,507	86,984	-	-	-	(192,523)	(192,523)
Interest	258,441	-	-	-	-	(258,441)	(258,441)
Total business-type activities	<u>1,723,691</u>	<u>1,367,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(355,880)</u>	<u>(355,880)</u>
Total	<u>\$ 2,043,186</u>	<u>\$ 1,395,818</u>	<u>\$ 17,791</u>	<u>\$ 277,242</u>	<u>3,545</u>	<u>(355,880)</u>	<u>(352,335)</u>
General revenues:							
Taxes –							
Franchise and chain store taxes							
					65,922	-	65,922
Licenses and permits							
					26,818	-	26,818
Intergovernmental							
					50,243	-	50,243
Interest and investment earnings							
					15	505	520
Nonemployer pension contributions							
					6,729	12,373	19,102
Miscellaneous							
					7,724	58,065	65,789
Capital contributions							
					-	506,215	506,215
Transfers							
					65,000	(65,000)	-
Total general revenues and transfers							
					<u>222,451</u>	<u>512,158</u>	<u>734,609</u>
Changes in net assets							
					225,996	156,278	382,274
Net position - June 30, 2016							
					<u>1,268,857</u>	<u>6,345,048</u>	<u>7,613,905</u>
Net position - June 30, 2017							
					<u>\$ 1,494,853</u>	<u>\$ 6,501,326</u>	<u>\$ 7,996,179</u>

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

FUND FINANCIAL STATEMENTS (FFS)

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

	General Fund
ASSETS	
Cash	\$ 14,568
Receivables	
Franchise fees receivable	12,708
Grants receivable	190,710
Intergovernmental receivable	5,719
Prepaid insurance	12,653
Other assets	1,909
Total assets	\$ 238,267
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 187,921
Accrued liabilities	4,584
Due to other funds	-
Total liabilities	192,505
Fund balances:	
Unassigned	45,762
Total fund balance	45,762
Total liabilities and fund balance	\$ 238,267

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

TOWN OF LEONVILLE, LOUISIANA
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2017

Total fund balances for governmental funds at June 30, 2017		\$ 45,762
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 8,912	
Buildings, net of \$194,853 accumulated depreciation	103,752	
Infrastructure, net of \$1,734,898 accumulated depreciation	1,564,217	
Equipment & other, net of \$122,523 accumulated depreciation	<u>4,314</u>	1,681,195
Amounts related to pension recognition are not due and payable in the current period and, therefore, are not reported in the funds		<u>(232,104)</u>
Total net position of governmental activities at June 30, 2017		<u><u>\$ 1,494,853</u></u>

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

TOWN OF LEONVILLE, LOUISIANA
Statement of Revenues, Expenditures, and
Changes in Fund Balances –
Governmental Funds
Year Ended June 30, 2017

Revenues:	
Licenses and permits	\$ 26,818
Franchise fees	65,922
Fines and forfeits	28,007
Intergovernmental	345,276
Miscellaneous	7,739
Total revenues	<u>473,762</u>
Expenditures:	
Current –	
General government	56,025
Public safety:	
Police	219,535
Streets and drainage	30,747
Capital outlay	278,220
Total expenditures	<u>584,527</u>
Excess (deficiency) of revenues over expenditures	<u>(110,765)</u>
Other financing sources (uses):	
Operating transfers in	65,000
Total other financing sources (uses)	<u>65,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(45,765)
Fund balance, beginning	<u>91,527</u>
Fund balances, ending	<u>\$ 45,762</u>

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

TOWN OF LEONVILLE, LOUISIANA
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2017

Total net changes in fund balances at June 30, 2017 per Statement of Revenues, Expenditures and Changes in Fund Balances		\$ (45,765)
The change in net position reported for governmental activities in the statement of activities is different because:		
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 which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 278,220	
Depreciation expense for the year ended June 30, 2017	<u>(37,168)</u>	241,052
Net effect of pension liability recognition		<u>30,709</u>
Total changes in net position at June 30, 2017 per Statement of Activities		<u>\$ 225,996</u>

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

TOWN OF LEONVILLE, LOUISIANA
Proprietary Funds
June 30, 2017

ASSETS	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Cash	\$ 44,083	\$ 171,703	\$ 13,191	\$ 228,977
Receivables:				
Accounts receivable	5,525	130,084	7,242	142,851
Unbilled receivables	1,235	44,677	2,860	48,772
Grant receivable	-	-	97,077	97,077
Restricted assets				
Cash and cash equivalents	18,775	251,547	92,598	362,920
Prepaid insurance	2,832	19,104	1,375	23,311
Construction in progress	-	-	279,146	279,146
Utility property plant and equipment	597,393	9,900,326	5,822,409	16,320,128
Accumulated depreciation	(432,519)	(2,260,814)	(1,895,668)	(4,589,001)
Due from other funds	-	3,040	772	3,812
Total assets	<u>237,324</u>	<u>8,259,667</u>	<u>4,421,002</u>	<u>12,917,993</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	<u>5,615</u>	<u>172,785</u>	<u>864</u>	<u>179,264</u>
LIABILITIES				
Current liabilities:				
Accounts payable	4,445	37,083	100,336	141,864
Accrued liabilities	88	10,899	-	10,987
Due to other funds	3,812	-	-	3,812
Accrued interest payable	-	2,332	2,850	5,182
Current portion of notes payable	-	57,709	23,611	81,320
Total current liabilities	<u>8,345</u>	<u>108,023</u>	<u>126,797</u>	<u>243,165</u>
Noncurrent liabilities:				
Payable from restricted assets-				
Customers' deposits	16,880	-	-	16,880
Notes payable	-	4,912,754	939,458	5,852,212
Net pension liability	11,775	439,744	1,089	452,608
Total noncurrent liabilities	<u>28,655</u>	<u>5,352,498</u>	<u>940,547</u>	<u>6,321,700</u>
Total liabilities	<u>37,000</u>	<u>5,460,521</u>	<u>1,067,344</u>	<u>6,564,865</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>301</u>	<u>28,269</u>	<u>2,496</u>	<u>31,066</u>
NET POSITION				
Investment in general fixed assets, net of related debt	164,874	2,669,049	3,242,818	6,076,741
Restricted for debt service	-	251,547	92,598	344,145
Unrestricted	40,764	23,066	16,610	80,440
Total net position	<u>\$ 205,638</u>	<u>\$ 2,943,662</u>	<u>\$ 3,352,026</u>	<u>\$ 6,501,326</u>

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

TOWN OF LEONVILLE, LOUISIANA
Proprietary Fund
Statement of Revenues, Expenses, and Changes
in Fund Net Position
For the Year Ended June 30, 2017

	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating revenues:				
Charges for services –				
Gas sales	\$ 54,042	\$ -	\$ -	\$ 54,042
Water sales	-	1,192,312	-	1,192,312
Sewer service charges	-	-	86,984	86,984
Penalties and late fees	-	34,473	-	34,473
Miscellaneous revenues	5,000	50,251	2,814	58,065
Total operating revenues	<u>59,042</u>	<u>1,277,036</u>	<u>89,798</u>	<u>1,425,876</u>
Operating expenses:				
Cost of sales and services	25,854	-	-	25,854
General and administrative	34,324	925,209	142,053	1,101,586
Depreciation	15,854	184,502	137,454	337,810
Total operating expenses	<u>76,032</u>	<u>1,109,711</u>	<u>279,507</u>	<u>1,465,250</u>
Operating income	<u>(16,990)</u>	<u>167,325</u>	<u>(189,709)</u>	<u>(39,374)</u>
Nonoperating revenues (expenses):				
Interest income	59	340	106	505
Interest expense	-	(214,613)	(43,828)	(258,441)
Nonemployer pension contributions	866	11,259	248	12,373
Total nonoperating revenues (expenses)	<u>925</u>	<u>(203,014)</u>	<u>(43,474)</u>	<u>(245,563)</u>
Income before contributions and transfers	<u>(16,065)</u>	<u>(35,689)</u>	<u>(233,183)</u>	<u>(284,937)</u>
Operating contributions and transfers:				
Capital contributions	4,417	299,572	202,226	506,215
Operating transfers in	-	-	116,261	116,261
Operating transfers out	(2,000)	(179,261)	-	(181,261)
Total operating contributions and transfers	<u>2,417</u>	<u>120,311</u>	<u>318,487</u>	<u>441,215</u>
Change in net position	<u>(13,648)</u>	<u>84,622</u>	<u>85,304</u>	<u>156,278</u>
Net position, beginning	<u>219,286</u>	<u>2,859,040</u>	<u>3,266,722</u>	<u>6,345,048</u>
Net position, ending	<u>\$ 205,638</u>	<u>\$ 2,943,662</u>	<u>\$ 3,352,026</u>	<u>\$ 6,501,326</u>

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

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

	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers	\$ 53,757	\$1,380,243	\$ 37,155	\$1,471,155
Payments to suppliers	(46,876)	(510,942)	(42,380)	(600,198)
Payments to employees	(10,734)	(564,776)	(45,535)	(621,045)
Other receipts	5,000	50,251	2,814	58,065
Net cash provided (used) by operating activities	<u>1,147</u>	<u>354,776</u>	<u>(47,946)</u>	<u>307,977</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	116,261	116,261
Nonemployer pension contributions	866	11,259	248	12,373
Cash paid to other funds	<u>(2,000)</u>	<u>(179,261)</u>	<u>-</u>	<u>(181,261)</u>
Net cash provided (used) by noncapital financing activities	<u>(1,134)</u>	<u>(168,002)</u>	<u>116,509</u>	<u>(52,627)</u>
Cash flows from capital and related financing activities:				
Principal paid on debt	-	(55,387)	(22,572)	(77,959)
Interest paid on debt	-	(214,049)	(43,894)	(257,943)
Proceeds from meter deposits (net)	95	-	-	95
Contributed capital	4,417	299,572	202,226	506,215
Acquisition of property, plant and equipment	<u>-</u>	<u>(142,959)</u>	<u>(214,317)</u>	<u>(357,276)</u>
Net cash provided (used) by capital and related financing activities	<u>4,512</u>	<u>(112,823)</u>	<u>(78,557)</u>	<u>(186,868)</u>
Cash flows from investing activities:				
Interest on investments	<u>59</u>	<u>340</u>	<u>106</u>	<u>505</u>
Net cash provided by investing activities	<u>59</u>	<u>340</u>	<u>106</u>	<u>505</u>
Net increase (decrease) in cash and cash equivalents	4,584	74,291	(9,888)	68,987
Cash and cash equivalents, beginning of period	<u>58,274</u>	<u>348,959</u>	<u>115,677</u>	<u>522,910</u>
Cash and cash equivalents, end of period	<u>\$ 62,858</u>	<u>\$ 423,250</u>	<u>\$ 105,789</u>	<u>\$ 591,897</u>

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

TOWN OF LEONVILLE, LOUISIANA
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended June 30, 2017

	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash used by operating activities:				
Operating income	\$ (16,990)	\$ 167,325	\$ (189,709)	\$ (39,374)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	15,854	184,502	137,454	337,810
Changes in current assets and liabilities:				
(Increase) decrease in accounts receivable	(108)	159,039	(49,904)	109,027
(Increase) decrease in unbilled receivables	(177)	(5,581)	75	(5,683)
(Increase) decrease in prepaid insurance	62	10,863	2,245	13,170
Increase (decrease) in accounts payable	2,138	(162,019)	49,172	(110,709)
Increase (decrease) in accrued liabilities	29	(1,122)	-	(1,093)
Increase (decrease) in net pension liability	339	1,769	2,721	4,829
	<u>339</u>	<u>1,769</u>	<u>2,721</u>	<u>4,829</u>
Net cash provided (used) by operating activities	<u>\$ 1,147</u>	<u>\$ 354,776</u>	<u>\$ (47,946)</u>	<u>\$ 307,977</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:				
Cash and cash equivalents, beginning of period –				
Cash – unrestricted	\$ 39,614	\$ 129,982	\$ 17,007	\$ 186,603
Cash – restricted	18,660	218,977	98,670	336,307
	<u>58,274</u>	<u>348,959</u>	<u>115,677</u>	<u>522,910</u>
Cash and cash equivalents, end of period –				
Cash – unrestricted	44,083	171,703	13,191	228,977
Cash – restricted	18,775	251,547	92,598	362,920
	<u>62,858</u>	<u>423,250</u>	<u>105,789</u>	<u>591,897</u>
Net increase (decrease)	<u>\$ 4,584</u>	<u>\$ 74,291</u>	<u>\$ (9,888)</u>	<u>\$ 68,987</u>

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

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The accounting and reporting practices of the Town of Leonville conform to generally accepted accounting principles of the United States of America as applicable to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, Audits of State and Local Governmental Units, published by the American Institute of Certified Public Accountants.

The following is a summary of certain significant accounting policies:

A. Financial reporting Entity

The Town of Leonville was incorporated under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Alderman form of government. The Board consists of five elected members. The Mayor and Board are compensated for their services at an amount legally set by the Board annually.

This report includes all funds which are controlled by or dependent on the town executive and legislative branches (the Mayor and Board of Alderman). Control by or dependence on the Town was determined on the basis of financial accountability, budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. The town has no component units or fiduciary funds.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the Town of Leonville, the primary government, as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the Town of Leonville are organized on the basis of funds each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The operations of each fund are accounted for with a separate

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The various funds are grouped in the financial statements in this report, into four generic fund types and two broad fund categories. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined

The major funds of the Town are described below:

Governmental Fund –

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Fund

Enterprise Fund

The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Town of Leonville's enterprise fund is the utility fund. It accounts for the provision of water, gas, and sewer services to residents of the Town.

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Ad valorem taxes are recognized as revenue in the year in which they are billed. Fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Available means collectible within the current period or soon enough thereafter to pay current liabilities, usually 60 days.

Those revenues susceptible to accrual are property taxes, grant revenues and interest revenue.

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

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except that accumulated unpaid vacation and sick pay are not accrued and principal and interest on general long-term debt are recognized when due. Purchases of various operating supplies are regarded as expenditures at the time purchased.

The proprietary fund is accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when incurred.

Bad debts are written off when accounts became worthless.

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). These transactions are recorded when the transfers occur.

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

Program revenues

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues.

Allocation of indirect expenses

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions, but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are stated at their estimated fair value on the date donated. Estimated amounts are immaterial in relation to total fixed assets. The town maintains a threshold level of \$100 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Equipment	5 years
Utility system and improvements	20-40 years
Infrastructure	20 years

E. Budgets and Budgetary Accounting

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

1. The Mayor prepares a proposed, detailed line item, budget and submits it to the Board of Aldermen no later than 30 days prior to the beginning of each fiscal year. Revenues are budgeted by source. Expenditures are budgeted by department and class.

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Any budgetary revisions require the approval of the Mayor and Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles of the United States of America. Budgeted amounts are as originally adopted or as amended from time to time by the Board of Aldermen. The budget was amended prior to the fiscal year and June 30, 2017.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town as an extension of formal budgetary integration in the funds.

G. Cash and Cash Equivalents

Cash includes amounts in demand deposit, interest – bearing demand, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less when purchased. Under state law, the municipality may deposit funds in demand deposits, interest – bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

H. Interest-bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market.

I. Statement of Cash Flows

For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

J. Short Term Interfund Receivables / Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items.

L. Vacation and Sick Leave

Vacation and sick leave are recorded as expenditures of the period in which paid. Vacation must be taken in the year accrued and cannot be carried over. Sick leave is accumulated by employees at a rate dependent upon number of years of employment. Although sick leave is available for employees when needed, it does not vest nor is it payable at termination of employment. Therefore, no liability has been recorded in the financial statements as of June 30, 2017.

M. Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and utility meter deposits. At June 30, 2017, there was \$362,920 restricted for debt service.

N. Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of the revenue bonds payable and utility meter deposits payable and Net Pension Liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

O. Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – 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 borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consist 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 legislation.

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, governmental funds report aggregate amount for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

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

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

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

Assigned fund balance. This classification reflects the amounts constrained by the town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The town council and town manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers the amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town has provided otherwise in its commitment or assignment actions.

P. Revenues, Expenditures, and Expenses

Operating (Nonoperating) Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:
Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Q. Capitalization of Interest Expense

It is the policy of the Town of Leonville to capitalize material amounts of interest resulting from borrowing in the course of the construction of fixed assets. At June 30, 2017 the amount of interest capitalized for construction of assets in the Utility Fund totaled \$0.

R. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The Town bases its allowance on prior experience and the amount trade receivables exceed meter deposits.

S. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restriction of Use</u>
Utility Fund Revenue	Debt Service and Utility Operations

T. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

(2) Deposits with Financial Institutions

At June 30, 2017, the Town has cash and cash equivalents (book balances) totaling \$606,465 as follows:

Demand deposits	\$ 533,775
Other	72,690
Total	\$ 606,465

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balance) 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 bank. 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. Deposit balances (bank balance) at June 30, 2017, are secured as follows.

Bank balances	\$ 638,213
Federal deposit	\$ 250,000
Pledged securities	392,340
Total	642,340
Excess/(Shortage)	\$ 4,127

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Town's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

(3) Restricted Assets

Restricted Assets were applicable to the following at June 30, 2017.

Gas Fund	
Meter Deposits	\$ 18,775
Sewer Fund	
Bond Reserve Fund	52,454
Depreciation and Contingency Fund	40,144
Water Fund	
Contingency Fund	132,935
Debt Service Reserve	44,414
Sinking Fund	1,504
Depreciation Short Lived Assets	72,694
Total Restricted Assets	\$ 362,920

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

(4) Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,912	\$ -	\$ -	\$ 8,912
Other capital assets:				
Buildings	194,853	-	-	194,853
Infrastructure	1,457,656	277,242	-	1,734,898
Equipment	121,545	978	-	122,523
Totals	1,782,966	278,220	-	2,061,186
Less accumulated depreciation				
Buildings	85,537	5,564	-	91,101
Infrastructure	145,079	25,602	-	170,681
Equipment	112,207	6,002	-	118,209
Total accumulated depreciation	342,823	37,168	-	379,991
Governmental activities, capital assets, net	\$ 1,440,143	\$ 241,052	\$ -	\$ 1,681,195
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 74,860	\$ -	\$ -	\$ 74,860
Construction in progress	763,832	201,482	(686,168)	279,146
Other capital assets:				
Utility system and extensions	14,920,185	841,962	-	15,762,147
Machinery and equipment	483,121	-	-	483,121
Totals	16,241,998	1,043,444	(686,168)	16,599,274
Less accumulated depreciation				
Utility system and extensions	3,813,523	322,516	-	4,136,039
Machinery and equipment	437,668	15,294	-	452,962
Total accumulated depreciation	4,251,191	337,810	-	4,589,001
Business type activities, capital assets, net	\$ 11,990,807	\$ 705,634	\$ (686,168)	\$ 12,010,273
Depreciation expense was charged to governmental activities as follows:				
General governmental			\$ 7,620	
Police			6,002	
Streets			23,546	
Total depreciation expense			\$ 37,168	
Depreciation expense was charged to business-type activities as follows:				
Gas			\$ 15,854	
Water			184,502	
Sewer			137,454	
Total depreciation expense			\$ 337,810	

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

(5) Changes in Long-Term Debt

The following is a summary of debt transactions in the proprietary fund of the Town of Leonville, Louisiana for the year ended June 30, 2017:

	<u>Payable at July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Payable at June 30, 2017</u>
Notes payable	\$ 6,011,491		\$ (77,959)	\$ 5,933,532
	<u>\$ 6,011,491</u>	<u>\$ -</u>	<u>\$ (77,959)</u>	<u>\$ 5,933,532</u>

Notes payable at June 30, 2017 is comprised of the following individual issues:

\$1,104,000 Sewer Notes Payable dated 01/05/01; due in monthly installments of \$5,012.16, which includes interest, maturing on 01/05/41; interest at 4 1/2% per annum	\$ 871,498
\$116,000 Sewer Notes Payable dated 01/05/01; due in monthly installments of \$526.64, which includes interest, maturing on 01/05/41; interest at 4 1/2% per annum	91,571
\$4,839,000 Water Notes Payable dated 10/16/14; due in monthly installments of \$21,582, which includes interest, maturing on 10/16/54; interest at 4.375% per annum	4,719,980
\$260,000 Water Notes Payable dated 10/16/14; due in monthly installments of \$871, which includes interest, maturing on 10/16/54; interest at 2.5% per annum	<u>250,483</u>
Total Notes Payable	5,933,532
Less Current Portion	<u>81,320</u>
Notes Payable	<u>\$ 5,852,212</u>

Sewer Debt Reserve Requirements

All principal and interest requirements are funded in accordance with Louisiana law. The Town is required to deposit monthly into each a Sewer Debt Reserve Fund and a Sewer Depreciation and Contingency Fund the amounts of \$277 and \$277, respectively. These monthly deposits shall continue until a sum of \$66,466 has been accumulated in the Sewer Debt Reserve Fund; thereafter, all payments are to be made into the Sewer Depreciation and Contingency Fund. At June 30, 2017, the Town has accumulated \$52,454 in the Sewer Debt Reserve Fund and \$40,144 in the Sewer Depreciation and Contingency Fund. Distributions totaling \$12,819 were taken out of the Depreciation and Contingency Fund for capital expenditures.

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

The annual requirements to amortize all sewer debt outstanding as of June 30, 2017 are as follows:

Year Ending June 30,	Total	Principal Payments	Interest Payments
2018	66,466	23,611	42,855
2019	66,466	24,696	41,770
2020	66,466	25,830	40,636
2021	66,466	27,017	39,449
2022	66,466	28,258	38,208
2023-2027	332,330	161,996	170,334
2028-2032	332,330	202,786	129,544
2033-2037	332,330	253,847	78,483
2038-2041	232,820	215,028	17,792
	<u>1,562,140</u>	<u>963,069</u>	<u>599,071</u>

Water Debt Reserve Requirements

The Town received a loans from the USDA Rural Development for \$4,839,000 and \$260,000 for water system improvements. The USDA Rural Developments Letter of Conditions as amended January 3, 2013 required the Town to establish a Depreciation Reserve of Short Lived Assets in the amount of \$89,580 and additional monthly deposits of \$2,200 until the fund accumulates a minimum balance of \$277,670. In addition, the Town is required to deposit monthly into each, a Water Debt Reserve Fund and a Water Depreciation and Contingency Fund, the amounts of \$1,122.65 and \$1,122.65 respectively. Monthly deposits shall continue until the sum of \$269,436 is accumulated in the Water Debt Reserve Fund; thereafter, all payments are to be deposited into the Water Depreciation and Contingency Fund. At June 30, 2017, the Town has accumulated \$72,694 in the Depreciation Reserve of Short Lived Assets Fund, \$44,414 in the Water Debt Reserve Fund and \$132,935 in the Water Depreciation and Contingency Fund.

The annual requirements to amortize all water debt outstanding as of June 30, 2017 are as follows:

Year Ending June 30,	Total	Principal Payments	Interest Payments
2018	269,427	57,709	211,718
2019	269,427	60,205	209,222
2020	269,427	62,810	206,617
2021	269,427	65,529	203,898
2022	269,427	68,367	201,060
2023-2027	1,347,135	388,966	958,169
2028-2032	1,347,135	481,132	866,003
2033-2037	1,347,135	595,424	751,711
2038-2042	1,347,135	737,191	609,944
2043-2047	1,347,135	913,084	434,051
2048-2052	1,347,135	1,131,366	215,769
2053-2056	423,499	408,680	14,819
	<u>\$ 9,853,444</u>	<u>\$ 4,970,463</u>	<u>\$ 4,882,981</u>

Interest expense totaled \$258,441 and is included in business type activities as a water and sewer department expense. Interest expense incurred in the water department totaled \$214,613 and interest expense incurred in the sewer department totaled \$43,828. Interest capitalized for the year ended June 30, 2017 totaled \$0.

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

(6) Utility Customer Deposits

The accounts of the Town include a liability for utility customer deposits of \$16,880. As of June 30, 2017, the Town has a meter deposit account with a balance of \$0 specifically set aside for customer meter deposits.

(7) Pension Plans

Plan Descriptions

In addition to the federal social security system, substantially all employees of the Town of Leonville are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual, publicly-available financial reports that include financial statements and required supplementary information for the systems. The report for MERS may be obtained at www.mersla.com and www.lampers.org, respectively.

Plan Description- MERS

MERS was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana and is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Town of Leonville are members of Plan B. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in MERS.

Benefits Provided:

Retirement Benefits- MERS

Any member of Plan B hired before January 1, 2013 may retire at any age with 30 years of creditable service or at age 60 with at least 10 years of creditable service. Any member of Plan B hired on or after January 1, 2013 may retire at age 67 with at least 7 years of creditable service, at age 62 with at least 10 years of creditable service, or at age 55 with at least 30 years of creditable service. Members hired on or after January 1, 2013 are also eligible to retire at any age with at least 25 years of creditable service, but their benefit will be actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any of the previously-mentioned provisions, if the member had continued in service to that age. Members are entitled to a retirement benefit, payable monthly for life, equal to 2% of the member's final compensation (defined below) multiplied by the member's years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

Final compensation is the employee's average salary over the 36 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system on or before June 30, 2006. Final compensation is the employee's average salary over the 60 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system after June 30, 2006. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

Deferred Retirement Options

In lieu of terminating employment and accepting a service retirement allowance, any member of MERS 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. A MERS member may participate in DROP only once. 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, are credited to the MERS member's individual DROP account. Interest is earned when the member has completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the member may receive a lump sum from the account or a true annuity based on the account balance. If employment is not terminated at the end of the three year DROP participation period, payments into the DROP account cease and the person resumes active contributing membership in MERS.

Disability Benefits

A member of MERS Plan B is eligible to retire and receive a disability benefit if he or she has at least 10 years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. The monthly maximum retirement benefit under Plan B of MERS is the lesser of an amount equal to two percent of member's final compensation multiplied by years of service (not less than 30% of member's final compensation) or an amount equal to what the member's normal retirement benefit would be based on final compensation at time of disability, but assuming continuous service until member's earliest normal retirement age.

Survivor's Benefit

The surviving spouse (defined as someone married to the deceased member for at least 12 months immediately preceding the member's death) of a MERS Plan B member (not eligible for retirement at the time of death) will receive a survivor benefit, provided that the member had 5 or more years of creditable service. The surviving spouse will be paid either a monthly benefit equal to 30% of member's final compensation, payable when surviving spouse attains the age of 60 or becomes disabled, or a monthly benefit equal to actuarial equivalent of the benefit described previously (not less than 15% of member's final compensation), payable upon the death of the member. A MERS Plan B member who is eligible for normal retirement at the time of death will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse upon the date of death. Benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Cost of Living Increases

MERS is authorized under state law to grant an annual cost of living adjustment to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit and may only be granted if sufficient funds are available. The cost of living increase must be paid from investment income in excess of normal requirements.

Contributions:

The MERS employer contribution rates are established annually under La R.S 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

the recommendation of the system's actuary. For the year ending June 30, 2017 the employer contribution rate for MERS Plan B was 11.0%. Employer contributions to MERS was \$49,417, for the year ended June 30, 2017. Employees participating in MERS are required to contribute 5.00%.

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. MERS receives ad valorem taxes and state revenue sharing funds. The Town of Leonville recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2017, the Town of Leonville recognized revenue as a result of support received from non-employer contributing entities of \$14,387 for its participation in MERS.

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

At June 30, 2017, the Town of Leonville reported a liability for MERS of \$484,337, for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2016 and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The Town of Leonville's proportion of the net pension liability for the retirement system was based on a projection of the Town of Leonville's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Town of Leonville's proportion for MERS was 0.584307%. This reflects an increase for MERS 0.035182% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town of Leonville recognized pension expense, for which there were no forfeitures, as follows:

	<u>Pension Expense</u>	<u>Net Pension Liability</u>
MERS	\$ 69,419	\$ 484,337

At June 30, 2016, the Town of Leonville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,972	\$ (6,998)
Changes in assumptions	24,136	-
Net difference between projected and actual earnings on pension plan investments	118,719	2,866
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,089	(22,061)
Employer contributions subsequent to measurement date	49,417	-
Total	\$ 203,333	\$ (26,193)

During the year ended June 30, 2016, employer contributions totaling \$49,417 were made subsequent to the measurement date for MERS. These contributions are reported as deferred outflows of

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	<u>MERS</u>
2017	\$ 22,685
2018	40,930
2019	34,534
2020	18,328
Total	<u>\$ 116,477</u>

Actuarial Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of MERS employers as of June 30, 2016 are as follows:

	2016 <u>MERS Plan B</u>	2015 <u>MERS Plan B</u>
Total Pension Liability	\$ 1,321,074	\$ 1,345,739
Plan Fiduciary Net Position	(836,737)	(924,705)
Total Net Pension Liability	<u>\$ 484,337</u>	<u>\$ 421,034</u>

The Town of Leonville's allocation is 0.584307% of the Total Net Pension Liability for MERS.

The total pension liabilities for MERS in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>MERS</u>
Actuarial cost method	Entry Age Normal
Expected remaining service lives	4 years for Plan B
Investment rate of return	7.5%, net of investment expense
Inflation rate	2.88%
Projected salary increases	5.00%
Cost of living adjustments	None
Mortality	RP-2000 Employee Table for active members; RP-2000 Healthy annuitants; RP-2000 Disabled Lives Mortality Tables for disabled annuitants

The MERS actuarial assumptions used were based on the results of an experience study for the period July 1, 2009 through June 30, 2014.

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best- estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return for MERS is 7.5% for the year ended June 30, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for MERS as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Equity	50%	2.60%
Fixed Income	35%	1.80%
Alternatives	15%	0.80%
Other	0%	0.00%
Total	100%	5.20%
Inflation		2.50%
Expected Nominal Return		7.70%

Discount Rates

The discount rate used to measure the total pension liability for MERS was 7.50%. 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 PERSAC taking into consideration the recommendation of the actuary. Based on those assumptions, the net position of MERS 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 Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following table presents the Town of Leonville's proportionate share of the net pension liability using the discount rate of 7.50% for MERS, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50% for MERS) or one percentage-point higher (8.50% for MERS) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
MERS	\$ 626,553	\$ 484,337	\$ 362,998

Changes in Pension Liability

The changes in the net pension liability for the year ended June 30, 2016 were recognized in the current reporting period except as follows:

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

Differences between Expected and Actual Experience:

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension benefit using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual experience resulted in a deferred inflows of resources as of June 30, 2016 in the amount of \$6,998.

Differences between Projected and Actual Investment Earnings:

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred outflow of resources as of June 30, 2016 in the amount of \$118,719.

Changes in Proportion:

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

Contributions – Proportionate Share

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan.

Municipal Police Employees' Retirement System

Plan Description

The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. Membership in the System is mandatory for any full-time police officer 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 11:221111:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

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

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

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

Membership Commencing January 1, 2013

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

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are 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 twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments

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

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

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

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

Deferred Retirement Option Plan

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

If the member elects a money market investment return, the funds are transferred to a government money market account.

Initial Benefit Option Plan

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

Funding Policy – State statute requires covered employees to contribute 10.00 percent of their salaries to the system. The Town is required to contribute 29.5 percent of covered employees' salaries. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the evaluation for the prior fiscal year.

The Town's contributions to the System for the year ended June 30, 2017 was \$25,511, equal to the required contributions for the year.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 8401 United Plaza Blvd., Baton Rouge, Louisiana 70809-7017, or by calling (225)929-7411.

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

At June 30, 2016, the Town reported a liability of \$237,535 for its proportionate share of the net pension liability for the MPERS plan. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the MPERS pension plan relative to the projected contributions of all

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

participating employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.025343%, which was a decrease of 0.0032% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$1,269 including employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$(24,242).

Non-employer contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue. The Town recognized \$4,715 of non-employer contribution revenue.

At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (6,132)
Changes in assumptions	11,549	(14)
Net difference between projected and actual earnings on pension plan investments	36,550	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(59,246)
Employer contributions subsequent to measurement date	25,511	-
Total	\$ 73,610	\$ (65,392)

The Town reported a total of \$25,511 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2016 which will be recognized as a reduction in net pension liability in the year ended June 30, 2017.

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

Year Ended June 30:	MPERS
2018	\$ (21,715)
2019	(16,451)
2020	8,498
2021	9,287
Total	\$ (20,381)

Actuarial Methods and Assumptions

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

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

The components of the net pension liability of the Town as of June 30, 2017 are as follows:

	2017	2016
Total Pension Liability	\$ 699,502	\$ 763,945
Plan Fiduciary Net Position	(461,967)	(540,340)
Total Collective Net Pension Liability	\$ 237,535	\$ 223,605

The actuarial assumptions used in the June 30, 2016 valuation were based on the assumptions used in the June 30, 2016 actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience.

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

Valuation Date	June 30, 2016	
Actuarial cost method	Entry Age Normal Cost	
Expected remaining service lives	2016 - 4 years 2015 - 4 years 2014 - 4 years	
Investment rate of return	7.5%, net of investment expense	
Inflation rate	2.875%	
Salary increases, including inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%

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, 2016 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	53%	3.69%
Fixed Income	21%	0.49%
Alternative	20%	1.11%
Other	6%	0.21%
Totals	100%	5.50%
Inflation		2.75%
Expected Nominal Return		8.25%

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5% or one percentage point higher 8.5% than the current rate as of June 30, 2016.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 316,655	\$ 237,535	\$ 171,107

Change in Net Pension Liability

The changes in the net pension liability for the year ended June 30, 2016 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual experience resulted in deferred inflows of resources as of June 30, 2016 in the amount of \$6,132.

Differences between Projected and Actual Investment Earnings:

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred inflow of resources as of June 30, 2016 in the amount of \$0.

Changes of Assumptions or Other Inputs:

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The changes of assumptions or other inputs resulted in deferred outflows of resources and deferred inflows of resources as of June 30, 2016 in the amounts of:

	Deferred Outflows	Deferred Inflows
2016	\$ 11,549	\$ (14)

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

Change in Proportion:

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

Contributions – Proportionate Share

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan.

(8) Segment Information for the Enterprise Fund

The Town of Leonville maintains three Enterprise funds which provide gas, water, and sewer services. Segment information for the year ended June 30, 2017, was as follows:

	<u>Gas</u> <u>Department</u>	<u>Water</u> <u>Department</u>	<u>Sewer</u> <u>Department</u>	<u>Total</u> <u>Enterprise</u> <u>Fund</u>
Operating revenues	\$ 59,042	\$ 1,277,036	\$ 89,798	\$ 1,425,876
Operating expenses	76,032	1,109,711	279,507	1,465,250
Operating income	<u>\$ (16,990)</u>	<u>\$ 167,325</u>	<u>\$ (189,709)</u>	<u>\$ (39,374)</u>

(9) Compensation of Town Officials

A detail of compensation paid to the mayor and Board of Alderman for the year ended June 30, 2017, follows:

Joel Lanclos, Jr., Mayor	\$	1,300
Nicholas Degueyter		1,300
Kerry Willingham		1,300
Brandon C. Herpin		1,300
Kirk Stelly		1,300
Benita Kennerson		1,300

(10) Federally Assisted Funds

The Town participated in federally assisted programs. These programs are audited in accordance with Government Auditing Standards.

(11) Concentration of Risks

Concentration of risks with respect to the Town is subject to the conditions of the limited geographical area of the town.

TOWN OF LEONVILLE, LOUISIANA
Notes to Financial Statements (Continued)

(12) Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMO 30.270 with the Town or trustee institution. The value of the securities must amount to the total of the Town's cash not insured by the Federal Deposit Insurance Corporation.

As of June 30, 2017, the Town's bank balances were fully secured or collateralized with securities held by the Town or by its agent in the Town's name.

(13) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 expenses during the reporting period. Actual results could differ from those estimates.

(14) Interfund Activities

Transfers to/from other funds at June 30, 2017, consist of the following:

From the Water Fund to the General Fund for operations	\$ 65,000
From the Water Fund to the Sewer Fund for operations	114,261
From the Gas Fund to the Sewer Fund for operations	2,000
From the General Fund to the Sewer Fund for operations	<u>200</u>
Total	<u><u>\$ 181,461</u></u>

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt services from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations.

(15) Evaluation of Subsequent Events

The Town has evaluated subsequent events through December 27, 2017, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LEONVILLE, LOUISIANA
 General Fund
 Budgetary Comparison Schedule
 Year Ended June 30, 2017

	Budget		Actual	Variance – Favorable (Unfavorable)
	Original	Final		
Revenues:				
Licenses and permits	\$ 24,950	\$ 27,204	\$ 26,818	\$ (386)
Franchise fees	65,000	67,456	65,922	(1,534)
Fines and forfeits	31,200	26,637	28,007	1,370
Intergovernmental	464,000	335,187	345,276	10,089
Miscellaneous	6,300	7,567	7,739	172
Total revenues	<u>591,450</u>	<u>464,051</u>	<u>473,762</u>	<u>9,711</u>
Expenditures:				
Current –				
General government	51,290	56,133	56,025	108
Public safety:				
Police	179,740	219,525	219,535	(10)
Streets and drainage	13,700	32,211	30,747	1,464
Capital outlay	423,000	268,504	278,220	(9,716)
Total expenditures	<u>667,730</u>	<u>576,373</u>	<u>584,527</u>	<u>(8,154)</u>
Excess (deficiency) of revenues over expenditures	<u>(76,280)</u>	<u>(112,322)</u>	<u>(110,765)</u>	<u>1,557</u>
Other financing sources (uses):				
Operating transfers in	78,000	78,000	65,000	(13,000)
Operating transfers out	-	(200)	-	(200)
Total other financing sources (uses)	<u>78,000</u>	<u>77,800</u>	<u>65,000</u>	<u>(13,200)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,720	(34,522)	(45,765)	(11,643)
Fund balances, beginning	<u>91,527</u>	<u>91,527</u>	<u>91,527</u>	<u>-</u>
Fund balances, ending	<u>\$ 93,247</u>	<u>\$ 57,005</u>	<u>\$ 45,762</u>	<u>\$ (11,643)</u>

See Notes to Required Supplementary Information.

TOWN OF LEONVILLE, LOUISIANA
 General Fund
 Budgetary Comparison Schedule of Revenues
 Year Ended June 30, 2017

	Budget		Actual	Variance – Favorable (Unfavorable)
	Original	Final		
Licenses and permits	\$ 24,950	\$ 27,204	\$ 26,818	\$ (386)
Franchise fees	65,000	67,456	65,922	(1,534)
Fines and forfeits	31,200	26,637	28,007	1,370
Intergovernmental:				
State of Louisiana -				
Beer tax	1,200	1,156	1,177	21
Casino tax	32,300	30,713	31,066	353
On behalf payments	-	18,000	18,000	-
Grant revenue	<u>430,500</u>	<u>285,318</u>	<u>295,033</u>	<u>9,715</u>
Total intergovernmental	<u>464,000</u>	<u>335,187</u>	<u>345,276</u>	<u>10,089</u>
Miscellaneous	<u>6,300</u>	<u>7,567</u>	<u>7,739</u>	<u>172</u>
Total revenues	<u>\$ 591,450</u>	<u>\$ 464,051</u>	<u>\$ 473,762</u>	<u>\$ 9,711</u>

See Notes to Required Supplementary Information.

TOWN OF LEONVILLE, LOUISIANA
 General Fund
 Budgetary Comparison Schedule of Expenditures
 Year Ended June 30, 2017

	Budget		Actual	Variance –
	Original	Final		Favorable (Unfavorable)
General government:				
Salaries	\$ 13,080	\$ 13,085	\$ 13,085	\$ -
Payroll taxes	840	1,078	1,849	(771)
Retirement and employee benefits	5,070	5,447	5,474	(27)
Accounting	1,700	2,138	2,610	(472)
Advertising	370	-	-	-
Due and subscriptions	340	381	381	-
Utilities	2,500	2,477	2,315	162
Insurance	14,100	16,963	14,399	2,564
Supplies	3,890	4,017	4,317	(300)
Telephone	6,200	5,067	5,073	(6)
Miscellaneous	3,200	5,480	6,522	(1,042)
Total general government	<u>51,290</u>	<u>56,133</u>	<u>56,025</u>	<u>108</u>
Public safety:				
Police department -				
Salaries	112,700	146,121	147,488	(1,367)
Payroll taxes	4,840	5,661	5,018	643
Retirement and employee benefits	23,700	28,479	28,677	(198)
Automobile expense	15,000	22,841	19,257	3,584
Supplies	5,200	1,601	1,883	(282)
Uniforms	600	494	-	494
Insurance	12,100	10,960	13,992	(3,032)
Miscellaneous	5,600	3,368	3,220	148
Total police department	<u>179,740</u>	<u>219,525</u>	<u>219,535</u>	<u>(10)</u>
Streets and drainage:				
Street materials	2,000	21,188	20,512	676
Street lighting	10,700	10,773	10,235	538
Miscellaneous	1,000	250	-	250
Total streets and drainage	<u>13,700</u>	<u>32,211</u>	<u>30,747</u>	<u>1,464</u>
Capital outlay:				
Equipment & buildings	423,000	268,504	278,220	(9,716)
Total expenditures	<u>\$ 667,730</u>	<u>\$ 576,373</u>	<u>\$ 584,527</u>	<u>\$ (8,154)</u>

See Notes to Required Supplementary Information.

TOWN OF LEONVILLE, LOUISIANA
 Schedule of Employer's Proportionate Share of Net Pension Liability
 Year Ended June 30, 2017

	Fiscal Year	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer 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 It's Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
MERS	2015	0.592369	\$ 238,144	\$ 490,736	48.52%	76.94%
MERS	2016	0.619489	\$ 421,034	\$ 429,920	98.06%	68.71%
MERS	2017	0.584307	\$ 484,337	\$ 449,248	107.81%	63.33%
MPERS	2015	0.03866	\$ 278,115	\$ 73,615	377.80%	75.10%
MPERS	2016	0.028543	\$ 223,605	\$ 70,990	315.98%	70.73%
MPERS	2017	0.025343	\$ 237,535	\$ 80,350	295.63%	66.04%

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

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

See Notes to Required Supplementary Information.

TOWN OF LEONVILLE, LOUISIANA
Schedule of Employer's Pension Contribution
Year Ended June 30, 2017

	Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a Percent of Covered Employee Payroll
MERS	2015	\$ 46,620	\$ 46,620	\$ -	\$ 490,736	9.50%
MERS	2016	\$ 40,782	\$ 40,782	\$ -	\$ 429,290	9.50%
MERS	2017	\$ 49,417	\$ 49,417	\$ -	\$ 449,248	11.00%
MPERS	2015	\$ 23,816	\$ 23,816	\$ -	\$ 73,615	31.50%
MPERS	2016	\$ 20,942	\$ 20,942	\$ -	\$ 70,990	29.50%
MPERS	2017	\$ 25,511	\$ 25,511	\$ -	\$ 80,350	31.75%

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

See Notes to Required Supplementary Information.

TOWN OF LEONVILLE, LOUISIANA
Notes to Required Supplementary Information

Note 1. Legal Compliance - Budgets

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

1. The Mayor prepares a proposed budget and submits same to the Board of Aldermen no later than 30 days prior to the beginning of each fiscal year. Revenues are budgeted by source. Expenditures are budgeted by department and class.

2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.

4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.

5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.

6. All budgetary appropriations lapse at the end of each fiscal year.

7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles of the United States of America. Budgeted amounts are as originally adopted or as amended from time to time by the Board of Aldermen. The budget was amended prior to the fiscal year and June 30, 2017.

Note 2. Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriations. The following individual fund had actual expenditures in excess of appropriations for the year ended June 30, 2017:

	Budget		Actual	Variance – Favorable (Unfavorable)
	Original	Final		
General Fund	\$667,730	\$576,373	\$584,327	\$(7,954)

Note 3. Pension Plan – Changes of Assumptions

Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. There were no changes of benefit terms for the year ended June 30, 2017.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF LEONVILLE, LOUISIANA
 Enterprise Funds
 Schedule of Operating Expenses
 Year Ended June 30, 2017

	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating expenses:				
Salaries	\$ 8,428	\$ 438,098	\$ 36,021	\$ 482,547
Payroll taxes	664	32,159	2,607	35,430
Retirement and employee benefits	2,010	95,166	9,628	106,804
Gas purchases	25,854	-	-	25,854
Insurance	6,059	59,093	17,035	82,187
Accounting and auditing	188	4,150	2,638	6,976
Engineering fees	-	-	578	578
Office supplies	481	5,162	-	5,643
Computer expense	-	5,876	-	5,876
Repairs and maintenance	2,382	135,640	32,093	170,115
Auto expenses and travel	-	26,936	2,183	29,119
Utilities	-	63,873	29,137	93,010
Telephone	-	8,268	2,047	10,315
Uniforms	-	7,700	-	7,700
Bad debts	108	5,377	2,857	8,342
Miscellaneous	14,004	37,711	5,229	56,944
Depreciation	15,854	184,502	137,454	337,810
Total operating expenses	<u>\$ 76,032</u>	<u>\$ 1,109,711</u>	<u>\$ 279,507</u>	<u>\$ 1,465,250</u>

**COMPLIANCE, INTERNAL CONTROL
AND
OTHER INFORMATION**

VIGE, TUJAGUE NOEL

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

151 N. 2ND STREET
P. O. BOX 1006
EUNICE, LOUISIANA 70535

SHIRLEY VIGE, JR., C.P.A.
FRANK G. TUJAGUE, C.P.A.
DOMINIQUE M. NOEL, C.P.A.

TELEPHONE:
337-457-9324
FAX:
337-457-8743

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

The Honorable Joel Lanclos, Jr., Mayor,
and Members of the Board of Alderman
Town of Leonville, 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 Leonville, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Leonville, Louisiana's basic financial statements and have issued our report thereon dated December 27, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items #2017-001 through #2017-004, which we consider to be significant deficiencies.

Compliance and Other Matters

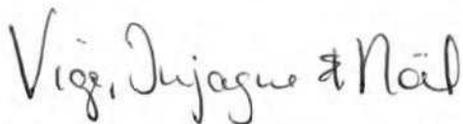
As part of obtaining reasonable assurance about whether Town of Leonville, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items #2017-001 through #2017-004.

Town of Leonville, Louisiana's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Vige, Tujague & Noël, CPA's
Eunice, Louisiana
December 27, 2017

TOWN OF LEONVILLE, LOUISIANA

Schedule of Findings and Responses

Year Ended June 30, 2017

We have audited the financial statements of Town of Leonville as of and for the year ended June 30, 2017, and have issued our report thereon dated December 27, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2017, resulted in an unmodified opinion.

Section I. Summary of Auditor's Reports

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

Internal Control

Material Weaknesses ___ Yes X No Significant Deficiencies X Yes ___ No

Compliance

Compliance Material to Financial Statement ___ Yes X No

b. Federal Awards

None reported.

Section II. Financial Statement Findings

#2017-1 – Segregation of Duties

Condition:	In reviewing the internal control structure, we noted inadequate segregation of duties existed in all areas of the financial cycle.
Criteria:	Segregation of conflicting duties within accounting functions is a basic internal control.
Cause:	Inadequate segregation of duties exists due to the limited number of personnel performing the administrative functions. Due to lack of resources, the Town is unable to implement a segregated system of internal control.
Effect:	Inadequate segregation of duties within the accounting functions.
Recommendation:	Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.
Response:	The Town does not believe that it would be cost beneficial or possible with the limited resources available to create a segregated accounting environment.

TOWN OF LEONVILLE, LOUISIANA
Schedule of Findings and Responses
Year Ended June 30, 2017

#2017-002 – Reserve Funds – Water Fund

- Condition: The Town did not comply with the required reserve requirements as mandated by the USDA Rural Development.
- Criteria: The loan agreement with USDA Rural Development required the Town to fund a Depreciation Reserve for Short Lived Assets Account with an initial deposit of \$89,580 and monthly deposits of \$2,200 to be made until the balance reaches \$277,670.
- Cause: The initial funding was deposited into the Contingency and Depreciation Reserve account in error and has remained in that account.
- Effect: This has caused the Depreciation Reserve for Short Lived Assets Account to be under funded in the amount of \$87,286.47 as of June 30, 2017.
- Recommendation: We recommend that the Town transfer the necessary funds out of the Contingency and Depreciation Reserve and deposit them into the Depreciation Reserve for Short Lived Assets.
- Response: The Town will make the necessary transfer of funds to be in compliance with the loan agreement.

#2017-003 – Reserve Funds – Sewer Fund

- Condition: The Town did not comply with the required reserve requirements as mandated by the USDA Rural Development.
- Criteria: The loan agreement with USDA Rural Development requires that the Town fund a Contingency and Depreciation Fund by making monthly payments of \$276.94, until the fund reaches a balance of \$66,466.
- Cause: Payment of capital improvements in the amount of \$12,819 were made out of the Fund without prior approval of USDA and not replaced with the \$12,700 of grant funds that were received for these expenditures.
- Effect: This has caused the Contingency and Depreciation Fund Account to be under funded in the amount of \$8,875 as of June 30, 2017.
- Recommendation: We recommend that the Town seek prior approval for future uses of the Contingency and Depreciation Reserve Fund and that a transfer of the \$12,700 grant funds be made.
- Response: The Town will make the necessary transfer of funds to be in compliance with the loan agreement and will seek prior approval of any future expenditures out of the Contingency and Depreciation Funds.

TOWN OF LEONVILLE, LOUISIANA
Schedule of Findings and Responses
Year Ended June 30, 2017

#2017-004 – Payroll

- Condition: The Town has not accumulated the necessary documentation to establish unused vacation and sick leave for some employees.
- Criteria: The Town has a policy that grants vacation and sick leave based on time of service and allows for the accumulation of a maximum of 30 days of sick leave to be carried over. Vacation must be used during the year granted. Sick leave is not payable upon termination or retirement.
- Cause: No written verification of vacation and sick leave is being kept for all employees.
- Effect: The Town does not have records to support unused vacation and sick leave in case of employee departure or extended illness.
- Recommendation: Establish the necessary record keeping policies to keep track of all vacation and sick leave for all employees and maintain records in employee files.
- Response: The Town will establish the necessary record keeping to track vacation and sick leave for all employees and will reconstruct the amount of unused sick leave available at June 30, 2017 for each employee, to establish a beginning balance.

Section III. Summary of Other Audit Results

1. The auditor's report expresses an unmodified opinion of the financial statements of Town of Leonville, Louisiana.

TOWN OF LEONVILLE, LOUISIANA
Status of Prior Audit Findings
Year Ended June 30, 2017

#2016-001 – Budget Presentation

Condition: The budget was not prepared in the required format and did not contain a budget message.

Criteria: The Louisiana Local Government Budget Act (RS 39:1305(c)(2)(a)) states that the budget must be presented in a specific format.

Cause: The budget was not properly presented.

Effect: The format required by the Louisiana Local Government Budget Act was not followed.

Recommendation: The Town should follow the format required by the Louisiana Local Government Budget Act when preparing the budget and any amendments.

Response: The Town will comply with the recommendation.

Status: This finding was cleared.

#2016-002 – Reserve Funds

Condition: The Town did not fund the Operation and Maintenance or Depreciation Short Lived Asset reserve accounts, required by USDA Rural Development, in the amount of \$147,505 and \$89,580, respectively, by June 30, 2014.

Criteria: The loan agreement with USDA Rural Development required the Town to fund an Operation and Maintenance and Depreciation Short Lived Asset reserve accounts by June 30, 2014, in the amount of \$147,505 and \$89,580, respectively.

Cause: The Town overlooked this requirement.

Effect: The Operation and Maintenance and Depreciation Short Lived Asset reserve accounts were not funded by June 30, 2014.

Recommendation: We recommend that the Town make the required reserve deposits and any additional deposits necessary to bring the account to the current required balance.

Response: The Town will develop a workout plan to fund these reserves.

Status: This finding has been repeated.

TOWN OF LEONVILLE, LOUISIANA
Schedule of Mayor and Alderman
Year Ended June 30, 2017

<u>Name</u>	<u>Office and Term</u>	<u>Compensation</u>
Joel Lanclos, Jr. P.O. Box 116 Leonville, LA 70551 337-879-2556	Mayor 2018	\$ 1,300
Nicholas Degueyter P.O. Box 442 Leonville, LA 70551 337-879-7026	Alderman 2018	1,300
Kerry Willingham P.O. Box 162 Leonville, LA 70551 337-879-2287	Alderman 2018	1,300
Brandon C. Herpin P.O. Box 375 Leonville, LA 70551 337-879-9507	Alderman 2018	1,300
Kirk Stelly P.O. Box 573 Leonville, LA 70551 337-879-2497	Alderman 2018	1,300
Benita Kennerson P.O. Box 354 Leonville, LA 70551 337-879-3236	Alderman 2018	1,300
		<u>\$ 7,800</u>

TOWN OF LEONVILLE, LOUISIANA
 Schedule of Rates and Accounts Receivable
 Year Ended June 30, 2017

The aging of accounts receivable for the sewer system and water system as of June 30, 2017 is as follows:

Amounts Receivable

<u>Days</u>	<u>(Sewer) Amounts</u>	<u>(Water) Amounts</u>
0-30	\$ 7,082	\$ 104,621
31-60	160	20,501
61-90	-	4,962
Over -90	-	-
	<u>\$ 7,242</u>	<u>\$ 130,084</u>
Residential Users -	453	2,818
Commercial Users -	12	12

As of June 30, 2017, the sewer rates were as follows (rate on actual water usage):

Residential \$10.50 for the first 2,000 gallons
 \$ 1.50 per thousand or part thereof over 2,000 gallons and under 10,000 gallons
 \$.05 per thousand or part thereof over 10,000 gallons

Commercial \$10.50 for the first 2,000 gallons
 \$ 1.50 per thousand or part thereof over 2,000 gallons

Low Pressure Grinder Pump Rates \$9.50 for the first 2,000 gallons
 \$1.50 per thousand or part thereof over 2,000 gallons and under 10,000 gallons
 \$.05 per thousand or part thereof over 10,000 gallons

Customers with no water meters will be billed using current rates based on 7,000 gallons

Customers with more than one sewer service and only one water meter shall be billed at the following rates for each sewer service:

\$10.50 for the first 2,000 gallons
 \$ 1.50 per thousand or part thereof over 2,000 gallons and under 10,000 gallons
 \$.05 per thousand or part thereof over 10,000 gallons

As of June 30, 2017, the water rates were as follows:

Residential \$23.94 for the first 2,000 gallons
 \$ 2.25 per thousand thereafter

Small Business \$23.94 for the first 2,000 gallons
 \$ 2.25 per thousand thereafter

Commercial \$77.38 for the first 75,000 gallons
 \$ 2.25 per thousand or part thereof over 75,000 gallons

TOWN OF LEONVILLE, LOUISIANA
 Schedule of Insurance
 Year Ended June 30, 2017

<u>Company</u>	<u>Policy Type</u>	<u>Policy Period</u>	<u>Coverage</u>
LA Municipal Risk Management	General Liability	12/19/16 - 12/19/17	\$ 500,000
	Law Enforcement		500,000
	Errors and Omissions		500,000
	Auto		500,000
	Workers Compensation	01/01/17 - 01/01/18	Legal limits
Risk Management Agency	Commercial Property	01/14/17 - 01/14/18	1,179,335
Lloyds of London	Auto Physical Damage	12/19/16 - 12/19/17	114,420
Hartford Fire Insurance Co.	Employee Theft	02/25/17 - 02/25/18	1,004,250

TOWN OF LEONVILLE, LOUISIANA
Schedule of Compensation, Benefits and Other Payments
to Agency Head or Chief Executive Officer
Year Ended June 30, 2017

Joel Lanclos, Jr., Mayor
Period: 12 Months

Salary	\$1,300
--------	---------

TOWN OF LEONVILLE

P. O. BOX 57
LEONVILLE, LOUISIANA 70551-0057
(337) 879-2601
FAX (337) 879-7922

JOEL LANGLOS, JR.
MAYOR
JOSEPH NOEL III
CHIEF OF POLICE
DOLORES MELANCON
CLERK

COUNCIL MEMBERS
NICHOLAS DEGUEYTER
KERRY WILLINGHAM
BENITA KENNERSON
KIRK STELLY
BRANDON HERPIN

VIGE, TUJAGUE & NOEL, CPA'S
P. O. BOX 1006
EUNICE, LA 70535

RE: Management Response

The following are our responses to your recommendations we received in the Town's Audited Financial Statement as of June 30, 2017.

2017-1 Segregation of Duties

We are aware of and have evaluated this inadequacy and concluded that the related costs versus benefits to be achieved do not justify the additional personnel it would require to establish an adequate segregation of duties. However, we will try to segregate duties as much as possible with the existing staff.

2017-002 Reserve Funds – Water Fund

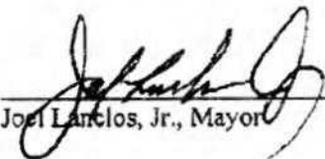
The Town will make the necessary transfer of funds to be in compliance with the loan agreement.

2017-003 Reserve Funds – Sewer Fund

The Town will make the necessary transfer of funds to be in compliance with the loan agreement and will seek prior approval of any future expenditures out of the Contingency and Depreciation Funds.

2017-004 Payroll

The Town will establish the necessary record keeping to track vacation and sick leave for all employees and will reconstruct the amount of unused sick leave available at June 30, 2017 for each employee, to establish a beginning balance.


Joel Langlos, Jr., Mayor



"This institution is an equal opportunity provider."

TOWN OF LEONVILLE, LOUISIANA
STATEWIDE AGREED-UPON PROCEDURES REPORT
YEAR ENDED JUNE 30, 2017

VIGE, TUJAGUE ^{AND} NOEL

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

151 N. 2ND STREET
P. O. BOX 1006
EUNICE, LOUISIANA 70535

SHIRLEY VIGE, JR., C.P.A.
FRANK G. TUJAGUE, C.P.A.
DOMINIQUE M. NOEL, C.P.A.

TELEPHONE:
337-457-9324
FAX:
337-457-8743

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Management and Board of Aldermen of the Town of Leonville, Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Town of Leonville, Louisiana and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Town of Leonville, Louisiana's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
The entity does not have any written policies and procedures addressing the functions noted above.

- 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 entity does not have any written policies and procedures addressing the functions noted above.

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

The entity does not have any written policies and procedures addressing the functions noted above.

- d) **Receipts**, including receiving, recording, and preparing deposits

The entity does not have any written policies and procedures addressing the functions noted above.

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

Written policies were obtained and address the functions noted above.

- 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 entity does not have any written policies and procedures addressing the functions noted above.

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

There were not written policies and procedures noted, as the Town does not have any credit cards, debit cards, fuel cards, or P-cards.

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

The entity does not have any written policies and procedures addressing the functions noted above.

- 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 entity does not have any written policies and procedures addressing the functions noted above.

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

The entity does not have any written policies and procedures addressing the functions noted above.

Board (or Finance Committee, if applicable)

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

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

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.

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

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes included financial statements but did not present budget-to-actual comparisons.

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

There was no deficit spending noted.

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

Obtained and reviewed the minutes of the managing board for the fiscal period noting that non-budgetary financial information was referenced.

Bank Reconciliations

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

Obtained a listing of cash collection locations and management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all months in the fiscal period for all selected accounts noting that reconciliations have been prepared for all months.

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

The bank reconciliations prepared for all accounts examined did not have evidence of board member or management review.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Obtained bank statements and reconciliations for all months in the fiscal period noting management's documentation of research for items that have been outstanding for more than 6 months.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained a listing of cash collection locations and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Written documentation was obtained and addresses the functions note above; however, some of the employees responsible for collecting cash are also responsible for recording the related transaction and reconciling the bank accounts, and share a cash drawer with another employee.

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

Written documentation was obtained and addresses the functions noted above; however, this process is not performed by a person independent of the cash collection process.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Collection documentation was obtained and deposits were made within one or two days of collection.

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

Daily cash collections are not supported by collection documentation. Receipts are issued only for actual cash transactions. No receipts are issued for payment in the form of a check.

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

There are no written policies and procedures to address the functions noted above. The person who collects cash also determines completeness.

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

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

Listing of disbursements and management's representation that the listing is complete was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit

card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

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

Examined supporting documentation for each of the 25 disbursements selected and found that purchases are not initiated using a requisition or purchase order system; however, evidence was obtained that all invoices were reviewed and approved by the mayor or board members.

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

Examined supporting documentation for each of the 25 disbursements selected and found that purchase orders were not utilized.

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

Examined supporting documentation for each of the 25 disbursements and found that payments were processed with proper approval of invoices.

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

The person responsible for processing payments can also add vendors.

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

The person with signatory authority can also initiate and record purchases.

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

Inquiry and observation note no exceptions.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent

of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

No signature stamp or signature machine is utilized.

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

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

There are no active credit cards, bank debit cards, fuel cards or P-cards. Management represented that this is accurate.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Not applicable.

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

Not applicable.

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

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

- An original itemized receipt (i.e., identifies precisely what was purchased)

Not applicable.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Not applicable.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Not applicable.

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

Not applicable.

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

Not applicable.

Travel and Expense Reimbursement

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

Obtained a listing of travel and expense reimbursements by person and management's representation that the listing is complete was obtained.

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

Reimbursement forms for expense reimbursement were obtained. No amounts listed exceed GSA rates.

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

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

Expenses were paid in accordance GSA rates. The entity does not have a written policy.

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Support documentation for \$556.44 of the \$7,104.18 travel reimbursement was not available.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

The entity does not have a written policy.

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

No exceptions noted.

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

No physical evidence of approval by someone other than the person receiving reimbursement.

Contracts

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

Obtained a listing of contracts in effect during the fiscal year and management's representation that the listing is complete was obtained.

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

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

There is a formal/written contract that supports the service arrangement and amounts paid for each contract.

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

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

No noncompliance noted.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Not applicable.

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

One contract was amended to increase the number of days for completion by 90 days. Another contract was amended to increase expenditures by \$66,578 and added 30 additional days for completion. Both contracts provided for such amendments.

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

No noncompliance noted.

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

Proper approval noted.

Payroll and Personnel

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

Listing of employees with their related salaries and management's representation that the listing is complete was obtained.

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

No exceptions noted.

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

Changes were approved in writing and in accordance with written policy.

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

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

No exceptions noted.

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

No exceptions noted.

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

We obtained written documentation of the entities written leave records on selected employees. Not all employees have written leave records for sick and vacation leave taken.

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

A listing of employees/officials terminated during the fiscal year and management's representation that the listing is complete was obtained. Termination payments were made in strict accordance with policy and approved by management.

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

No exceptions noted.

Ethics (excluding nonprofits)

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

The entity did not comply with the mandatory ethics training requirements.

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

Management asserted that they have received no allegations during the fiscal year.

Debt Service (excluding nonprofits)

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

There was no debt issuance during the fiscal period.

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

The Reserve Account for Depreciation of Short Lived Assets was under funded due to the initial deposit being deposited into the wrong account.

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

The entity has no tax millages relating to debt service.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the

misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the entity did not have any misappropriation of public funds or assets.

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

Required notice was posted on the entity's premises.

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

No exceptions noted.

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.

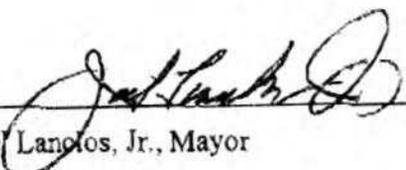
Vige, Tujague & Noel

Vige, Tujague & Noel
Eunice, Louisiana
December 27, 2017

TOWN OF LEONVILLE, LOUISIANA
Management's Response to Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2017

Management Response to Item:

- 1 The entity will compile and adopt a cumulative collection of policies and procedures addressing each of the required financial/business functions.
- 2b The entity will include monthly budget-to-actual comparisons on the General Fund and any additional major funds at each board meeting, and reference the comparative statements in the minutes.
- 4b A member of management or a board member with no involvement in the transactions associated with the bank account will review each monthly reconciliation.
- 6a, 6b, 7, 10
11, 19d Efforts will be made to segregate duties in these areas as much as possible with the limited number of employees involved.
- 6c Collection documentation will be maintained and available for all daily cash collections.
- 9a, 9b The entity does not use a purchase order system; however the mayor or a board member approves all invoices for payment.
- 19b The entity will obtain documentation in the form of an original itemized receipt that identifies precisely what was purchased for all travel expenses and reimbursements.
- 23c The entity will maintain written leave records, for sick and vacation leave, for all employees.
- 26 All employees will comply with the mandatory ethics training requirements and documentation will be maintained in personnel files.
- 29 The entity will transfer the proper funds to the Reserve Account for Depreciation of Short Lived Assets in order to comply with debt covenants.



Joe Lancos, Jr., Mayor