

TOWN OF AMITE CITY

Louisiana



ANNUAL FINANCIAL REPORT

As of and for the Year Ended
June 30, 2019

TOWN OF AMITE CITY

Louisiana

ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor Milton Bel and
Members of the Town Council
Town of Amite City
Amite, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the fiduciary funds of the Town of Amite City, Louisiana, (the Town) as of and for the year ended June 30, 2019, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Other Matters***Required Supplementary Information***

The Town has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 50 through 59 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of utility revenue bonds additional information is presented for purposes of additional analysis as required by the Louisiana Department of Environmental Quality, and is not a required part of the basic financial statements.

This schedule is the responsibility of management and was derived from and relates 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 my opinion, this schedule is 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*, I have also issued my report dated December 23, 2019, on my consideration of the Town's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


Certified Public Accountant

December 23, 2019

BASIC FINANCIAL STATEMENTS

Town of Amite City

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities	Business-type Activity	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 1,043,282	\$ 1,857,980	\$ 2,901,262
Receivables, net	357,076	109,918	466,994
Prepaid insurance	89,641	5,664	95,305
Internal balances	40,989	(40,989)	-
Restricted cash, cash equivalents, and investments	166,708	1,355,555	1,522,263
Capital assets, net	1,701,042	7,374,538	9,075,580
Total assets	3,398,738	10,662,666	14,061,404
 <u>Deferred Outflow of Resources</u>	 241,527	 -	 241,527
<u>Liabilities</u>			
Accounts, salaries, and other payables	243,121	77,058	320,179
Accrued liabilities	572	13,064	13,636
Utility customer deposits	-	144,372	144,372
UMB loan	157,800	-	157,800
Noncurrent liabilities:			
Due within one year	50,000	148,651	198,651
Due in more than one year	64,313	4,145,329	4,209,642
Net pension liability	906,411	-	906,411
Total liabilities	1,422,217	4,528,474	5,950,691
 <u>Deferred Inflow of Resources</u>	 133,515	 -	 133,515
<u>Net Position</u>			
Net investment in capital assets	1,701,042	3,080,558	4,781,600
Restricted for:			
Debt service	158,216	1,211,183	1,369,399
Law enforcement	8,492	-	8,492
Unrestricted	216,783	1,842,451	2,059,234
Total Net Position	\$ 2,084,533	\$ 6,134,192	\$ 8,218,725

The accompanying notes are an integral part of this statement.

Town of Amite City
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues, and Changes in Net Position		
		Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 1,232,321	\$ -	\$ 2,509	\$ -	\$ (1,229,812)	\$ -	\$ (1,229,812)
Public safety - police	1,679,373	165,349	123,867	-	(1,390,157)	-	(1,390,157)
Public safety - fire	320,000	-	-	-	(320,000)	-	(320,000)
Streets	898,545	-	5,300	24,300	(868,945)	-	(868,945)
Sanitation	304,261	295,646	-	-	(8,615)	-	(8,615)
Community center	12,828	13,800	-	-	972	-	972
Cemetery	10,305	21,400	-	-	11,095	-	11,095
Parks and recreation	57,732	-	-	20,000	(37,732)	-	(37,732)
Economic development	18,026	-	-	-	(18,026)	-	(18,026)
Intergovernmental	15,125	-	-	-	(15,125)	-	(15,125)
Art development	10,531	-	-	-	(10,531)	-	(10,531)
Miscellaneous programs	43,112	-	-	-	(43,112)	-	(43,112)
Total governmental activities	<u>4,602,159</u>	<u>496,195</u>	<u>131,676</u>	<u>44,300</u>	<u>(3,929,988)</u>	<u>-</u>	<u>(3,929,988)</u>
Business-type Activities:							
Waterworks and sewer	<u>1,318,136</u>	<u>1,464,056</u>	<u>21,921</u>	<u>1,485</u>	<u>-</u>	<u>169,326</u>	<u>169,326</u>
Total business-type activity	<u>1,318,136</u>	<u>1,464,056</u>	<u>21,921</u>	<u>1,485</u>	<u>-</u>	<u>169,326</u>	<u>169,326</u>
Total	<u>\$ 5,920,295</u>	<u>\$ 1,960,251</u>	<u>\$ 153,597</u>	<u>\$ 45,785</u>	<u>(3,929,988)</u>	<u>169,326</u>	<u>(3,760,662)</u>

General Revenues:

Taxes:

Property taxes	158,113	-	158,113
Franchise taxes	162,471	-	162,471
Sales taxes	3,142,688	-	3,142,688
Alcoholic beverage tax	13,413	-	13,413
Licenses and permits	295,256	-	295,256

Investment earnings	17,839	40,996	58,835
Miscellaneous	9,259	-	9,259
Intergovernmental	86,597	-	86,597
Support Revenues	<u>21,158</u>	<u>-</u>	<u>21,158</u>

Total general revenues 3,906,794 40,996 3,947,790

Change in Net Position (23,194) 210,322 187,128

Net position – beginning, restated 2,107,727 5,923,870 8,031,597

Net position - ending \$ 2,084,533 \$ 6,134,192 \$ 8,218,725

The accompanying notes are an integral part of this statement.

Town of Amite City
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Sales Tax Fund	Capital Improvements Fund	Economic Development Fund	Arts Council Fund	Total Governmental Funds
<u>Assets</u>						
Cash	\$ 256,139	\$ 15,302	\$ 1,878	\$ 707,529	\$ 62,434	\$ 1,043,282
Receivables, net	83,292	273,784	-	-	-	357,076
Prepaid insurance	89,641	-	-	-	-	89,641
Due from other funds-						
General Fund	-	-	-	92,500	-	92,500
Waterworks Fund	40,989	-	-	-	-	40,989
Restricted cash	166,708	-	-	-	-	166,708
 Total assets	 <u>\$ 636,769</u>	 <u>\$ 289,086</u>	 <u>\$ 1,878</u>	 <u>\$ 800,029</u>	 <u>\$ 62,434</u>	 <u>\$ 1,790,196</u>
<u>Liabilities</u>						
Accounts, salaries, and other payables	\$ 238,718	\$ -	\$ -	\$ 3,800	\$ 603	\$ 243,121
Due to other funds -						
Economic Development Fund	92,500	-	-	-	-	92,500
Bond Agency Fund	572	-	-	-	-	572
 Total liabilities	 <u>331,790</u>	 <u>-</u>	 <u>-</u>	 <u>3,800</u>	 <u>603</u>	 <u>336,193</u>
<u>Fund Balance</u>						
Restricted: Law enforcement	8,492	-	-	-	-	8,492
PD Vehicles, money held in trust	158,216	-	-	-	-	158,216
Committed: Economic Development	-	-	-	796,229	-	796,229
Promotion of the Arts	-	-	-	-	61,831	61,831
To Pay DEQ and USDA loans	-	289,086	-	-	-	289,086
Assigned: Capital Improvements	-	-	1,878	-	-	1,878
Unassigned	138,271	-	-	-	-	138,271
 Total fund balance	 <u>304,979</u>	 <u>289,086</u>	 <u>1,878</u>	 <u>796,229</u>	 <u>61,831</u>	 <u>1,454,003</u>
 Total liabilities and fund balance	 <u>\$ 636,769</u>	 <u>\$ 289,086</u>	 <u>\$ 1,878</u>	 <u>\$ 800,029</u>	 <u>\$ 62,434</u>	 <u>\$ 1,790,196</u>

The accompanying notes are an integral part of this statement.

TOWN OF AMITE CITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2019

Fund balances - total governmental funds	\$ 1,454,003
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:	
Governmental capital assets, net of depreciation	1,701,042
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:	
Compensated absences payable	(114,313)
Loan payable	(157,800)
Net pension liability	(906,411)
Deferred outflows and inflows are not financial resources or currently payable. These consist of:	
Deferred outflows	241,527
Deferred inflows	(133,515)
Net position of governmental activities	<u>\$ 2,084,533</u>

The accompanying notes are an integral part of this statement.

Town of Amite City

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Capital Improvements Fund</u>	<u>Economic Development Fund</u>	<u>Arts Council Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>						
Taxes	\$ 320,584	\$3,142,688	\$ -	\$ -	\$ -	\$3,463,272
Licenses and permits	295,256	-	-	-	-	295,256
Intergovernmental	275,885	-	-	-	-	275,885
Fines and forfeitures	121,903	-	-	-	-	121,903
Sanitation service fees	295,646	-	-	-	-	295,646
Prisoner housing fees	14,253	-	-	-	-	14,253
Subpoena & bond appearance fees	4,625	-	-	-	-	4,625
Rentals & recreational	13,800	-	-	-	-	13,800
Miscellaneous	61,429	877	198	8,575	2,088	73,167
Total Revenues	<u>1,403,381</u>	<u>3,143,565</u>	<u>198</u>	<u>8,575</u>	<u>2,088</u>	<u>4,557,807</u>
<u>Expenditures</u>						
General government	1,201,135	20,327	-	-	-	1,221,462
Public safety - police	1,737,361	-	-	-	-	1,737,361
Public safety - fire	320,000	-	-	-	-	320,000
Streets	995,502	-	-	-	-	995,502
Sanitation	284,400	-	-	-	-	284,400
Community center	10,029	-	-	-	-	10,029
Cemetery	10,305	-	-	-	-	10,305
Parks and recreation	71,901	-	-	-	20,000	91,901
Economic development	-	-	-	18,026	-	18,026
Intergovernmental	15,125	-	-	-	-	15,125
Art development	-	-	-	-	10,531	10,531
Miscellaneous	43,112	-	-	-	-	43,112
Total Expenditures	<u>4,688,870</u>	<u>20,327</u>	<u>-</u>	<u>18,026</u>	<u>30,531</u>	<u>4,757,754</u>
Excess (deficiency) of revenues over expenditures	<u>(3,285,489)</u>	<u>3,123,238</u>	<u>198</u>	<u>(9,451)</u>	<u>(28,443)</u>	<u>(199,947)</u>
<u>Other Financing Sources (Uses)</u>						
Sale of Assets	3,162	-	-	-	-	3,162
Loan proceeds	157,800	-	-	-	-	157,800
Operating transfers in	3,189,834	-	-	77,912	12,000	3,279,746
Operating transfers out	(12,000)	(3,147,746)	-	(120,000)	-	(3,279,746)
Total other financing sources (uses)	<u>3,338,796</u>	<u>(3,147,746)</u>	<u>-</u>	<u>(42,088)</u>	<u>12,000</u>	<u>160,962</u>
Net change in Fund Balances	53,307	(24,508)	198	(51,539)	(16,443)	(38,985)
Fund balances, beginning of year, restated	<u>251,672</u>	<u>313,594</u>	<u>1,680</u>	<u>847,768</u>	<u>78,274</u>	<u>1,492,988</u>
Fund balances, end of year	<u>\$ 304,979</u>	<u>\$ 289,086</u>	<u>\$ 1,878</u>	<u>\$ 796,229</u>	<u>\$ 61,831</u>	<u>\$ 1,454,003</u>

The accompanying notes are an integral part of this statement.

TOWN OF AMITE CITY

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, 2019

Net change in fund balances - total governmental funds \$ (38,985)

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

Capital outlays are reported in governmental funds 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. These differences consist of:

Capital outlay	212,561
Depreciation expense	(132,363)

In the statement of activities, only the loss on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the equipment disposed of. (18,784)

Loan proceeds provide current financial resources to governmental funds, but issuing debt increases liabilities in the statement of net assets. These differences consists of :

UMB loan proceeds	(157,800)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These differences consist of:

Change in compensated absences payable	(7,184)
Pension expense for GASB 68	98,203

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

Support revenues	<u>21,158</u>
Change in net position of governmental activities	<u>\$ (23,194)</u>

Town of Amite City

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2019

	<u>Business-type Activity</u> <u>Waterworks and</u> <u>Sewer Fund</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash	\$ 1,857,980
Accounts receivable, net	109,918
Prepaid insurance	5,664
Total current assets	<u>1,973,562</u>
<u>Restricted Assets</u>	
Cash, cash equivalents, and investments	<u>1,355,555</u>
<u>Non-current Assets</u>	
Capital assets (net of accumulated depreciation)	<u>7,374,538</u>
Total assets	<u>10,703,655</u>
<u>Liabilities</u>	
<u>Current Liabilities (payable from current assets)</u>	
Accounts, salaries, and other payables	77,058
Compensated absences payable	13,064
Due to General Fund	40,989
Total current liabilities (payable from current assets)	<u>131,111</u>
<u>Current Liabilities (payable from restricted assets)</u>	
Customer deposits	144,372
Revenue bonds payable	148,651
Total current liabilities (payable from restricted assets)	<u>293,023</u>
<u>Non-current Liabilities</u>	
Revenue bonds payable	<u>4,145,329</u>
Total non-current liabilities	<u>4,145,329</u>
Total liabilities	<u>4,569,463</u>
<u>Net Position</u>	
Net investment in capital assets	3,080,558
Restricted for Debt Service	1,211,183
Unrestricted	<u>1,842,451</u>
Total net position	<u>\$ 6,134,192</u>

The accompanying notes are an integral part of this statement.

Town of Amite City

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUND
For the Year Ended June 30, 2019

	<u>Business-type Activity Waterworks and Sewer Fund</u>
<u>Operating Revenues</u>	
Charges for services -	
Water sales	\$ 621,651
Sewer charges	800,403
Delinquent charges	27,593
Connection charges	11,542
Operating Grant	21,921
Miscellaneous	<u>2,867</u>
Total operating revenues	<u>1,485,977</u>
<u>Operating Expenses</u>	
Salaries	422,096
Payroll taxes	32,290
Employee benefits	79,389
Electricity -	
Water pumps	29,864
Sewerage plant	61,815
Repairs/Supplies -	
Water system	66,897
Sewerage system	92,557
Insurance	15,039
Truck expense	21,707
Office expense	15,295
Water testing	19,517
Sewerage testing	17,660
Professional fees	15,200
Other	8,614
Bad Debt	849
Depreciation	<u>279,577</u>
Total operating expenses	<u>1,178,366</u>
Net operating income	<u>307,611</u>
<u>Non-operating Revenues (Expenses)</u>	
Capital Grants	1,485
Interest income	40,996
Interest expense	<u>(139,770)</u>
Total non-operating expense	<u>(97,289)</u>
Change in net position	210,322
Total Net Position, Beginning	<u>5,923,870</u>
Total Net Position, Ending	<u>\$ 6,134,192</u>

The accompanying notes are an integral part of this statement.

Town of Amite City

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2019

	<u>Business-type Activity</u> <u>Waterworks and</u> <u>Sewer Fund</u>
<u>Cash flows from operating activities:</u>	
Receipts from customers	\$ 1,371,936
Payments to suppliers	(550,211)
Payments to employees	<u>(533,775)</u>
Net cash provided by operating activities	<u>287,950</u>
<u>Cash flows from capital and related financing activities:</u>	
Grant proceeds	1,485
Payments on USDA loans	(66,484)
Payments on DEQ loan	(77,000)
Interest paid	(139,770)
Purchase of capital assets	<u>(101,009)</u>
Net cash (used) for capital and related financing activities	<u>(382,778)</u>
<u>Cash flows from investing activities:</u>	
Interest income	<u>40,996</u>
Net cash provided by investing activities	<u>40,996</u>
Net decrease in cash and cash equivalents	(53,832)
Cash balance - beginning of year	<u>1,911,812</u>
Cash balance - end of year	<u>\$1,857,980</u>
<u>Reconciliation of operating income to net</u> <u>cash provided by operating activities:</u>	
Operating income	307,611
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	279,577
Change in assets and liabilities:	
Receivables, net	19,715
Prepaid insurance	(5,664)
Due to other funds	(208,677)
Accounts and other payables	29,144
Restricted assets	(111,835)
Unearned Revenue	<u>(21,921)</u>
Net cash provided by operating activities	<u>\$ 287,950</u>

The accompanying notes are an integral part of this statement.

Town of Amite City

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	Agency Funds		
	Bond Money Fund	Prisoner Personal Money Fund	Total
<u>Assets</u>			
Cash	\$ 4,528	\$ 727	\$ 5,255
Due from General Fund	572	-	572
Total Assets	5,100	727	5,827
<u>Liabilities</u>			
Due to defendants	5,100	-	5,100
Due to others	-	727	727
Total Liabilities	5,100	727	5,827
<u>Net Position</u>	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Town of Amite City

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

INTRODUCTION

The Town of Amite City, Louisiana (Town) was first incorporated on March 7, 1861. The Town adopted the provisions of Act 136 enacted on July 29, 1898, and became governed under the Lawrason Act. The Town is governed by an elected Mayor and Town Council. The Town provides the following services: public safety - police, streets, drainage, sanitation, culture/recreation, public improvements, planning and zoning, and general and administrative services. Other services include water and sewer services.

The accounting and reporting policies of the Town conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513 and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

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

A. REPORTING ENTITY AND REPORTING MODEL

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the identification of a primary government unit for financial reporting purposes. The GASB has set forth criteria to be considered in determining which governmental entities are primary governments. An entity is a primary government if it satisfies all of the following criteria:

- The entity has a separate governing body elected by the citizenry in a general, popular election.
- The entity is legally separate from other entities.
- The entity is fiscally independent of other state and local governmental entities.

Based on the above criteria the Town has determined that the Town of Amite City, Louisiana, is a primary government and financial reporting entity in accordance with GASB Statement No. 14. The Town has also determined that there are no component units that should be considered part of the Town for financial reporting purposes.

The accompanying basic financial statements of the Town have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. Management has elected to not present the Management's Discussion and Analysis.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual financial reports easier to understand and more useful to the people who use governmental financial information to make decisions. Following is a discussion on the new elements of the reporting model.

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on "major" funds. Fund statements present in separate columns the General Fund, followed by major funds, with non-major funds aggregated and displayed in a separate column. The new model (GASB Statement 34) sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. In addition to the funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users may be reported as a major fund.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

The Town implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented which establishes new financial reporting requirements for governments that provide their employees with pension benefits. Additional information about the Town's net pension liability is presented in the notes to the financial statements.

The Town implemented GASB Statement No. 72, *Fair Value Measurement and Application* as it relates to donated capital assets. Donated capital assets are to be measured at acquisition value.

The Town implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

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

Special Revenue Funds:

The Sales Tax Fund accounts for the receipt and use of proceeds of the Town's 2% sales and use tax. The Town Council has dedicated a portion of collections of the sales and use tax, see Note 20 to these financial statements for details.

The Capital Improvements Fund accounts for the receipt and use of funds dedicated to capital improvements.

The Economic Development Fund accounts for the receipt and use of funds dedicated to economic development.

The Arts Council Fund accounts for the receipt and use of funds dedicated to art development.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

Proprietary Fund:

Enterprise fund -- account for operations (a) 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 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 maintains one enterprise fund, the Waterworks and Sewer Fund, which provides water and sewer services.

Additionally, the Town reports the following fund type:

Fiduciary Funds:

The Bond Money Agency Fund accounts for bond money held by the Town on behalf of the defendants prior to Mayor's court.

The Prisoner Personal Money Agency Fund accounts for the personal money of prisoners being held by the Town during their incarceration. The funds are returned upon the prisoner's release.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are user fees. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

D. DEPOSITS AND INVESTMENTS

Cash and cash equivalents includes cash on hand, amounts in demand deposits, interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

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

E. RECEIVABLES

Receivables are shown net of an allowance for uncollectibles. Uncollectible amounts due for water and sewer charges are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivables. Uncollectible amounts for property taxes and garbage charges are recorded as a reduction of current revenues.

F. 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.

G. PREPAIDS

Prepaid insurance is reported using the consumption method.

H. RESTRICTED ASSETS

Restricted assets consist of cash resources in the General Fund from drug seizures and cash resources of the enterprise fund set aside for repayment of customer deposits and debt services. See Notes 15, 17, and 19 in regards to the revenue bond covenants that require the Town to set aside cash resources and revenue bond requirements.

I. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

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, if material, is included as part of the capitalized value of the assets constructed. As a Phase III government under GASB Statement No. 34, the Town elects not to retroactively report infrastructure assets prior to June 30, 2003.

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

<u>Description</u>	<u>Estimated Lives</u>
Governmental activities -	
Buildings and building improvements	20 - 40 Years
Furniture and fixtures	5 - 10 Years
Vehicles	5 Years
Equipment	5 - 15 Years
Roads	20 Years
Water and Sewer Utility -	
Wells	25 Years
Storage tanks	40 Years
Lines and meters	40 Years
Sewerage system	40 Years

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

J. COMPENSATED ABSENCES

The Town has the following policy regarding annual and sick leave.

The earning of such leave shall be based on the equivalent of years of full-time service with the Town and for an employee having an administrative work week of five days shall be creditable at the end of each month in accordance with, or proportionate to, the following:

- a. Less than one year of service, at the rate of 1.54 hours of annual leave and 1.85 hours of sick leave per two week pay period.
- b. One year but less than ten years of service, at the rate of 3.08 hours of annual leave and 3.7 hours of sick leave per two week pay period.
- c. Ten years or more of service, at the rate of 4.62 hours annual leave and 3.7 hours of sick leave per two week pay period.

Accrued unused annual leave earned by an employee shall be carried forward to the succeeding fiscal year but not in excess of 240 hours as of the last day of the year, December 31st. Accrued unused sick leave earned by an employee shall be carried forward to the succeeding fiscal year without limitation.

Upon termination, all unused annual leave accrued by an employee shall be paid to the terminating employee not to exceed 240 hours. Employees with less than one year of full-time employment are not considered vested for annual leave purposes and any annual leave accrued upon termination shall be canceled.

Employees who resign or who are dismissed from employment shall not be paid for any accrued sick leave and all such leave shall be canceled.

Employees who retire at or after age 60 with at least 10 years of creditable full-time employment or at or after age 55 with at least 20 years of creditable full-time employment are entitled (as an employment benefit) to be paid for unused sick leave computed as follows:

For each year of creditable employment, an employee will be paid at date of retirement unused accrued sick leave at an amount equal to 1.67 percent for each year of creditable employment not to exceed 50 percent of the retiring employee's unused sick leave at date of retirement.

The Town maintains its sick leave records in units of hours (or days). The amount to be paid shall be the percent determined in the preceding paragraph multiplied by the unused sick leave hours at the employee's final-average hourly salary. Final-average hourly salary is the employee's average salary over the last 36 consecutive months at date of retirement. Retirement for this purpose shall be the same as defined by the Municipal Employees' Retirement System of Louisiana.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

The cost of current leave privileges, computed in accordance with GASB Statement No. 16, is recognized as a current-year expenditure in the governmental funds when leave is actually taken. The cost of leave privileges not requiring current resources is recorded as a liability in the General Fund. Leave privileges associated with employees of the proprietary fund are recorded as a fund liability and operating expense. The current and noncurrent portions are recorded in the government-wide financial statements.

No liability is reported for unpaid accumulated sick leave.

K. LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net Position. Bond premiums and discounts, if any, as well as issuance costs, if any, 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.

In the fund financial statements, governmental fund types recognize both premiums and discounts, if any, as well as bond issuance costs, if any, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances, if any, are reported as other financing sources while discounts on debt issuances, if any, are reported as other financing uses.

L. RESTRICTED NET POSITION

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use are either:

- externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; and
- imposed by law through constitutional provisions or enabling legislation.

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.

M. FUND EQUITY

Governmental fund equity is classified as fund balance. Beginning with fiscal year ending June 30, 2011, the Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either not in spendable form or they are legally contractually required to be maintained intact.

The Town does not have anything that can be classified as Nonspendable Fund Balance.

- **Restricted:** This classification includes amounts in which the use of resources is constrained either by (a) external impositions by creditors, grantors, contributors, or laws or regulations of other governments or (b) impositions by law through constitutional provisions or enabling legislation.

The Town has classified fund balance in the General Fund as restricted due to the constraints of the Twenty-First Judicial District regarding seized drug money and constraints imposed by the creditor for the car loans.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town Council, which is the Town's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

The Town has committed resources in the Sales Tax Fund, the Economic Development Fund, and the Arts Council Fund. In the Sales Tax Fund, the Town Council has committed these resources to the repayment of the DEQ loan and funding of certain accounts per the bond ordinance dated December 16, 2001, the repayment of the USDA sewer loan and funding of certain accounts per the bond ordinance dated June 1, 2010, and the repayment of the USDA water loan and funding of certain accounts per the bond ordinance dated January 4, 2011. In the Economic Development Fund, the Town has committed resources dedicated to economic development per Ordinance No. 10-2003. In the Arts Council Fund, the Town has committed resources per Ordinance No. 3-2018.

- **Assigned:** This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent should be expressed by the Town's governing body itself or a committee or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

The Town has assigned the fund balance in the Capital Improvements Fund. Assigned Fund Balance in the Capital Improvements represents the money appropriated through the budget ordinance of the Town set aside specifically for Capital Improvements. Town Council approval must be obtained prior to any expenditure from this fund.

- **Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in multiple classifications, the Town will generally use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, the Town's management reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

N. ESTIMATES

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

O. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. For the purpose of the statement of activities, all interfund transfers between funds have been eliminated.

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

P. ELIMINATION AND RECLASSIFICATION

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Q. AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by the Town in October and billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tangipahoa Parish.

R. SALES TAXES

The Town assesses a 2% sales and use tax. The Mayor and Town Council have dedicated a portion of the sales and use tax, see Note 21 to these financial statements for details.

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

A. BUDGET

Formal budgetary accounting is employed as a management control for all governmental funds of the Town. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and Special Revenue Funds, and the same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principles basis. Budgets are prepared and adopted in accordance with the Louisiana Local Government Budget Act. Budgetary control is exercised at the fund level for each fund.

All budget appropriations lapse at the end of each fiscal year.

The original proposed budget for the General Fund and all special revenue funds was made available for public inspection on May 11, 2018. A public hearing was held at the Town's city hall on June 05, 2018. The budget was adopted on June 5, 2018.

The budget of the General Fund and the Special Revenues Funds was amended three times during the fiscal year with the final amendment taking place on June 4, 2019.

B. REVENUES – ACTUAL AND BUDGET

The following individual funds had actual revenues and other sources fail to meet budgeted amounts for the year ended June 30, 2019

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>	<u>Percent</u>
Revenues:				
Capital Improvements Fund	\$ 225	\$ 198	\$ 27	12%

Town of Amite City

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

The Louisiana Local Government Budget Act requires a local government to amend its operating budget when the total revenue and other sources fail to meet total budgeted revenues and other sources by 5% or more. The Town failed to amend the budget for the Capital Improvements Fund by an adequate amount for the fiscal year ended June 30, 2019.

(3) **DEPOSITS AND INVESTMENTS**

At June 30, 2019, the Town had deposits and investments (book balances) totaling \$4,428,780 (including \$5,255 in the fiduciary funds) as follows:

Petty cash	\$ 345
Interest-bearing demand deposits	4,200,902
Investment in 12-month certificate of deposit	69,317
Money Market Account	<u>158,216</u>
Total	<u>\$ 4,428,780</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Per GASB Statement 3, as amended by GASB 40; the Town's deposits are exposed to custodial credit risk since the collateral pledged by the fiscal agent is not held in the Town's name.

At June 30, 2019, the Town has \$4,491,711 in deposits (collected bank balances). These deposits are secured from risk by \$319,317 of federal deposit insurance and \$4,014,178 is uninsured but collateralized with securities held by the custodial bank in the name of the fiscal agent bank. \$158,216 is uninsured and uncollateralized in a money market account.

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.

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

(4) **RECEIVABLES**

Receivables at June 30, 2019, consist of the following:

<u>Class of Receivables</u>	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Taxes -				
Franchise	\$ 37,710	\$ -	\$ -	\$ 37,710
Sales	-	273,784	-	273,784
Accounts -				
Prisoner housing fees	1,805	-	-	1,805
Garbage	26,683	-	-	26,683
In School Officer	2,000	-	-	2,000
Water and Sewer	-	-	115,018	115,018
Less: Allowance for Uncollectibles	(1,700)	-	(5,100)	(6,800)
Intergovernmental				
Beer Tax	3,685	-	-	3,685
Department of Public Safety	13,109	-	-	13,109
Totals	<u>\$ 83,292</u>	<u>\$ 273,784</u>	<u>\$ 109,918</u>	<u>\$ 466,994</u>

An allowance account for taxes receivable is not considered necessary

(5) **AD VALOREM TAXES**

For the year ended June 30, 2019, taxes of 4.94 mills were levied on property with assessed valuations totaling \$25,819,567. Total taxes levied were \$127,549. Taxes receivable at June 30, 2019, were nil.

(6) **RESTRICTED ASSETS-CASH- GOVERNMENTAL FUNDS AND PROPRIETARY FUND TYPE**

Restricted assets were applicable to the following at June 30, 2019:

Governmental Funds:

General Fund – Police Donation	\$ 100
General Fund - Drug seizure cash	8,392
General Fund – Purchase of police cars held in a trust	158,216
	<u>\$ 166,708</u>

Proprietary Fund:

Customers' deposits - cash and investments	\$ 144,372
Revenue Bond requirements funds - DEQ & USDA	1,211,183
	<u>\$ 1,355,555</u>

NOTES TO FINANCIAL STATEMENTSAs of and for the Year Ended June 30, 2019(7) **CAPITAL ASSETS**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

Governmental Activities:	Balance 06/30/18	Increases	Decreases	Balance 06/30/19
Capital assets not depreciated:				
Land and land improvements	\$ 585,882	\$ -	\$ -	\$ 585,882
Construction in progress	37,185	-	-	37,185
Inactive assets	31,873	1,822	23,000	10,695
Total capital assets, not depreciated	654,940	1,822	23,000	633,762
Capital assets, being depreciated:				
Buildings	1,240,260	3,200	-	1,243,460
Improvements	530,527	48,000	-	578,527
Infrastructure	179,665	98,000	-	277,665
Vehicles	739,413	56,289	24,822	770,880
Office Equipment	29,590	13,846	-	43,436
Furniture & Fixtures	24,569	6,557	-	31,126
Machinery & Equipment	575,712	9,669	-	585,381
Total capital assets, being depreciated	3,319,736	235,561	24,822	3,530,475
Less: Accumulated depreciation:				
Buildings	729,490	23,984	-	753,474
Improvements	429,387	12,807	-	442,194
Infrastructure	10,960	9,340	-	20,300
Vehicles	617,968	60,577	4,216	674,329
Office Equipment	20,092	4,135	-	24,227
Furniture & Fixtures	24,569	601	-	25,170
Machinery & Equipment	502,582	20,919	-	523,501
Total accumulated depreciation	2,335,048	132,363	4,216	2,463,195
Total capital assets, being depreciated, net	984,688	103,198	20,606	1,067,280
Governmental activities capital assets, net	\$ 1,639,628	\$ 105,020	\$ 43,606	\$ 1,701,042

Depreciation was charged to governmental functions as follows:

General government	\$16,017
Public safety	53,643
Streets	30,943
Sanitation	20,130
Parks and recreation	8,831
Community center	2,799
Total	\$132,363

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

The following is a summary of changes in capital assets for the business-type activity for the fiscal year ended June 30, 2019:

<u>Business-type activity:</u>	<u>Balance</u> <u>06/30/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/19</u>
Capital assets, not being depreciated				
Land - water	\$ 36,392	\$ -	\$ -	\$ 36,392
Land – sewer	25,957	-	-	25,957
Construction in progress	44,640	46,073	-	90,713
Total capital assets not being depreciated	<u>106,989</u>	<u>46,073</u>	<u>-</u>	<u>153,062</u>
Capital assets, being depreciated				
Wells	1,085,455	-	-	1,085,455
Storage tanks	643,730	-	-	643,730
Water lines and meters	2,314,984	-	-	2,314,984
Sewerage system	6,679,057	22,186	-	6,701,243
Equipment	287,668	32,750	-	320,418
Total capital assets, being depreciated	<u>11,010,894</u>	<u>54,936</u>	<u>-</u>	<u>11,065,830</u>
Less accumulated depreciation for:				
Wells	267,713	24,542	-	292,255
Storage tanks	347,138	11,407	-	358,545
Water lines and meters	803,538	52,120	-	855,658
Sewerage system	1,944,577	167,602	-	2,112,179
Equipment	201,811	23,906	-	225,717
Total accumulated depreciation	<u>3,564,777</u>	<u>279,577</u>	<u>-</u>	<u>3,844,354</u>
Total capital assets, being depreciated, net	<u>7,446,117</u>	<u>(224,641)</u>	<u>-</u>	<u>7,221,476</u>
Business-type activities capital assets, net	<u>\$ 7,553,106</u>	<u>\$ (178,568)</u>	<u>\$ -</u>	<u>\$ 7,374,538</u>

Depreciation expense was charged to the business-type activity as follows:

Waterworks and Sewer Fund	<u>\$279,577</u>
Total	<u>\$279,577</u>

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(8) **PENSION PLAN**

Some of the police department employees of the Town are members of the Municipal Police Employees' Retirement System of Louisiana (System). This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The Town entered into a Section 218 agreement with the Social Security Administration effective January 1, 1954, which exempts police department employees from mandatory participation in the System. Pertinent information relative to the plan follows:

Municipal Police Employees' Retirement System of Louisiana

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System unless exempted. Employees who retire at any age with 25 years of creditable service or at age 50 with at least 20 years of creditable service or at age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3-1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. 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 previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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 at www.lampers.org/auditreports.htm or by writing to the Municipal Police Employees Retirement System of Louisiana, 7722 Office Park Blvd, Suite 200, Baton Rouge, Louisiana 70809-7601, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 10.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 32.25 percent of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. In accordance with state statute, the Systems receive insurance premium taxes. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended June 30, 2019. The Town of Amite City contributions to the System for the years ending June 30, 2019, 2018, and 2017, were \$134,757, \$97,313, and \$102,261, respectively, equal to the required contributions for each year.

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

At June 30, 2019, the Town reported a liability of \$906,411 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns, actuarially determined. At June 30, 2018, the Town's proportion was .107216 percent.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

For the year ended June 30, 2019, the Town recognized pension expense of \$36,554. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,086	\$ 46,319
Changes of assumptions	59,233	-
Net difference between projections and actual earnings on pension plan investments	43,451	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	87,196
Town contributions subsequent to the measurement date	<u>134,757</u>	<u>-</u>
Total	<u>\$ 241,527</u>	<u>\$ 133,515</u>

\$134,757 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:	
2020	\$ 2,753
2021	\$ (4,881)
2022	\$ (26,135)
2023	\$ 1,576
2024	\$ -
Thereafter	\$ -

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

Valuation date	June 30, 2018			
Actuarial cost method	Entry Age Normal Cost			
Investment rate of return	7.20% (Net of investment expense)			
Expected Remaining Service lives	2018- 4 Years	2017- 4 Years	2016 - 4 Years	2015 - 4 Years
Inflation rate	2.60%			
Mortality	Mortality assumptions were set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.			

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

RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.

RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.

Salary increases, Including inflation and merit	Years of service	Salary Growth Rate
	1 - 2	9.75%
	3 - 23	4.75%
	Over 23 years	4.25%

The forecast 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 weighing 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 forecasted long-term rate of return is 8.03% for the year ended June 30, 2018.

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

Asset Class	Target Asset Allocation	Long-term Expected Portfolio Real Rate of Return
Equity	52%	3.58%
Fixed Income	22%	.46%
Alternatives	20%	1.07%
Other	6%	.17%
Totals	100%	5.28%
Inflation		2.75%
Expected Nominal Returns		8.03%

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

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

Sensitivity to Changes in Discount Rate:

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.20%, 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 6.20% or one percentage point higher 8.20% than the current date as of June 30, 2019.

	Changes in Discount Rate		
	1% Decreased	Current Discount Rate	1% Increase
	6.20%	7.20%	8.20%
Net Pension Liability	\$ 1,273,758	\$ 906,411	\$ 598,220

(9) **DEFERRED COMPENSATION PLAN**

The Town offers all town employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The Town matches the employees' contributions up to 10 percent of covered salaries. The assets of the plan are held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Town of Amite City's financial statements.

(10) **RETIREMENT SYSTEM**

Employees of the Town who are not participants in the Municipal Police Employees' Retirement System of Louisiana are members of the social security system. In addition to employee payroll deductions, Town funds are remitted to match the employee contributions. Aggregate contributions to the social security system for the year ended June 30, 2019, were \$280,938 of which \$140,469 was contributed by the Town.

(11) **COMPENSATED ABSENCES**

At June 30, 2019, employees of the Town have accumulated and vested \$127,377 of employee leave benefits which was computed in accordance with GASB Codification Section C60. Of this amount, \$114,313 is recorded as an obligation of the General Fund. The leave liability for employees of the Enterprise Fund of \$13,064 is accounted for within the fund.

(12) **LEASES**

The Town records items under capital leases as assets and obligations in the accompanying financial statements. There were no capital leases as of June 30, 2019.

The Town leases a parking lot from an individual for a total of \$1,200 per year through June 30, 2021. The lease agreement is classified as an operating lease for accounting purposes.

Town of Amite City

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

The future minimum lease payments are as follows:

Year ending June 30,	
2020	\$ 1,200
2021	<u>1,200</u>
	<u>\$ 2,400</u>

(13) **LONG-TERM DEBT**

A. SUMMARY OF CHANGES IN LONG-TERM DEBT

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

	<u>Balance</u> <u>06/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/19</u>	<u>Due Within</u> <u>One Year</u>
<u>Business-type Activities:</u>					
Revenue bonds payable - DEQ	\$ 511,000	\$ -	\$ 77,000	\$ 434,000	\$ 80,000
Revenue bonds payable - USDA - Sewer	2,078,398	-	34,451	2,043,947	35,657
Revenue bonds payable - USDA - Water	<u>1,848,066</u>	-	<u>32,033</u>	<u>1,816,033</u>	<u>32,994</u>
Total Bonds business-type activities	<u>\$ 4,437,464</u>	<u>\$ -</u>	<u>\$ 143,484</u>	<u>\$ 4,293,980</u>	<u>\$ 148,651</u>

B. BONDS

Revenue bonds payable are comprised of the following issue:

- a.) \$1,330,000 Utilities Revenue Bonds, Series 2002, dated January 10, 2003.

Due in annual installments of \$45,000 to \$94,000 through January 1, 2024; interest at 2.45% payable semi-annually January 1 and July 1 each year.

The Town has agreed to pay DEQ an annual administrative fee of .5% of the outstanding principal.

\$ 434,000

- b.) \$2,262,000 Utilities Revenue Bonds, Series 2011A, dated June 14, 2011.

Due in annual installments of \$28,000 to \$103,000 starting in January 2013 ending January 2051; interest at 3.5% payable annually starting January 2012.

2,043,947

- c.) \$1,995,000 Utilities Revenue Bonds, Series 2011B, dated January 31, 2012.

Due in annual installments of \$27,000 to \$84,000 starting in January 2014 ending January 2052; interest at 3.0% payable annually starting January 2013.

1,816,033

Total Revenue Bonds Payable

\$4,293,980

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

C. DEBT SERVICE REQUIREMENTS TO MATURITY

1. The annual requirements to amortize the Revenue Bonds debt outstanding as of June 30, 2019, including interest, are as follows:

Year Ending June 30	Business Type Activities		
	Bonds		
	Principal	Interest	Total
2020	\$ 148,651	\$ 136,660	\$ 285,311
2021	153,889	132,462	286,351
2022	160,200	128,118	288,318
2023	165,587	123,599	289,186
2024	172,052	118,929	290,981
2025-2029	430,168	543,223	973,391
2030-2034	505,135	468,256	973,391
2035-2039	593,253	380,138	973,391
2040-2044	696,844	276,547	973,391
2045-2049	818,643	154,748	973,391
2050-2051	449,558	27,280	476,838
	<u>\$ 4,293,980</u>	<u>\$ 2,489,960</u>	<u>\$ 6,783,940</u>

D. CHANGES IN OTHER LONG-TERM LIABILITIES

During the year ended June 30, 2019, in addition to the bonded indebtedness in Note 13 A, and Net Pension Liability in Note 8, the Town had the following changes in Other Long-Term Liabilities.

	Balance 06/30/18	Additions	Reductions	Balance 06/30/19	Due Within One Year
<u>Governmental Activities:</u>					
Compensated absences	\$ 107,129	\$ 61,294	\$ 54,110	\$ 114,313	\$ 50,000
Total government activities	<u>\$ 107,129</u>	<u>\$ 61,294</u>	<u>\$ 54,110</u>	<u>\$ 114,313</u>	<u>\$ 50,000</u>

(14) **SHORT-TERM DEBT**

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

	Balance 06/30/18	Additions	Reductions	Balance 06/30/19
<u>Governmental Activities</u>				
Direct Borrowings	\$ -	\$ 157,800	\$ -	\$ 157,800
Total governmental activities	<u>\$ -</u>	<u>\$ 157,800</u>	<u>\$ -</u>	<u>\$ 157,800</u>

During the year ended June 30, 2019, the Town borrowed \$157,800 to guarantee the future purchase of five vehicles for the Police Department. This loan was paid out in eight months, when the long-term capital lease was entered into.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(15) **DEDICATION OF PROCEED & FLOW OF FUNDS - UTILITIES REVENUE - DEQ**

The Town through its governing authority adopted an ordinance on December 16, 2001, authorizing the issuance of Utilities Revenue Bonds, Series 2002, in the amount of \$1,330,000 to pay for the cost of constructing and acquiring improvements and renovations to the sewerage system of the Town. The ordinance also authorized the execution of a Loan and Pledge Agreement with the Louisiana Department of Environmental Quality providing for the sale and delivery of said bonds to the Department of Environmental Quality; prescribing the form, fixing the details, and providing for the payment of principal and interest on such bonds; and entering into certain covenants and agreements in connection with the security and payment of said bonds. In that ordinance and the Loan and Pledge Agreement, the income and revenues of the combined sewerage system and waterworks system are irrevocably pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes. In that ordinance and the Loan and Pledge Agreement, certain funds are required to be established to account for the receipt and disbursement of System (water and sewer) revenues. An analysis of these accounts is provided as follows:

Revenue Fund - The bond ordinance and the Loan and Pledge Agreement require that all revenues of the System shall be deposited daily in a separately identifiable account to be established with the Town's fiscal agent bank and designated as the "Revenue Fund". The revenues deposited into the Revenue Fund shall be expended in the following priority:

- 1.) Pay all reasonable and necessary expenses of operating and maintaining the Sewerage System
- 2.) Establish and fund a Sinking Fund as follows:

Moneys from the Revenue Fund shall be deposited into the Sinking Fund in amounts sufficient to pay promptly and fully the principal of and interest on the Borrower Bonds and any Parity Obligations issued hereafter as they severally become due and payable.

Moneys from the Revenue Fund shall be transferred into the "Sinking Fund" monthly in advance on or before the twentieth (20th) day of each month of each year in an amount equal to the principal, interest, and administrative fee accruing with respect to the Borrower Bonds for such calendar month, together with such additional proportionate sum as may be required to pay such principal, interest, and administrative fee as the same respectively become due.

Money in the Sinking Fund shall be deposited as trust funds and shall be used solely and are hereby expressly exclusively pledged for the purpose of paying principal of, interest on, and administrative fee, if any, with respect to the Borrower Bonds and any Parity Obligations. The borrower shall require its fiscal agent bank to transfer from the Sinking Fund to the paying agent (as defined in the Authorizing Ordinance) and any other paying agent bank or bank for any Parity Obligations payable from the Sinking Fund at least three (3) days in advance of each interest payment date and principal payment date, funds fully sufficient to pay promptly the principal and interest falling due on such dates.

At June 30, 2019, the Town was in **compliance** with this covenant.

- 3.) Establish and fund a Reserve Fund as follows:

From the Revenue Fund, there shall be transferred monthly in advance on or before the twentieth (20th) day of each month of each year, to a separately identifiable account to be established with the Town's fiscal agent bank and designated as the "Reserve Fund" a sum at least equal to 25% of the amount required to be paid into the Sinking Fund for such month until such fund has accumulated an amount equal to the highest combined debt service in any future bond year (\$97,243).

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

Money in the Reserve Fund is to be retained solely for the purpose of payment of the principal of and interest on all obligations payable from the Sinking Fund for which sufficient funds are not on deposit in the Sinking Fund.

At June 30, 2019, the Town was in **compliance** with this covenant.

4.) Establish and fund a Renewal and Replacement Fund as follows:

There is to be established and maintained with a Fiscal Agent Bank pursuant to the Authorizing Ordinance a separately identifiable fund or account designated as the "Renewal and Replacement Fund". There shall be transferred to the Renewal and Replacement Fund, on or before the twentieth (20th) day of each month of each year, an amount equal to five percent (5%) of the Net Revenues of the System collected in the prior calendar month; provided, however, that no payment need be made into the Renewal and Replacement Fund at any time if the balance in such Fund equals or exceeds \$125,000. All moneys in the Renewal and Replacement Fund may be drawn on and used by the Borrower for the purpose of paying the costs of any unusual and extraordinary maintenance and any repairs, replacements, extensions, and improvements to the System which will either enhance its revenue producing capacity or provide a higher degree of service.

Money accumulated in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payment in the Sinking Fund or the Reserve Fund.

At June 30, 2019, the Town was in **compliance** with this covenant.

(16) **COMPLIANCE WITH UTILITIES REVENUE BONDS COVENANTS - DEQ**

The Town through its governing authority adopted an ordinance on December 16, 2001, authorizing the Utilities Revenue Bonds, Series 2002, in the amount of \$1,330,000 to pay for the cost of constructing and acquiring improvements and renovations to the sewerage system of the Town and authorized the execution of a Loan and Pledge Agreement with the Louisiana Department of Environmental Quality. That bond ordinance and agreement contained certain covenants and agreements in connection with the security and payment of the bonds. The major covenants contained in the bond resolution and agreement and the manner in which the Town has complied with these covenants is described as follows:

Rate Covenant - In the bond ordinance and agreement, the Town obligated itself to fix, establish, maintain, and collect such rates, fees, rents, and other charges of the services and facilities of the System and to revise rates whenever necessary to provide revenues in each fiscal year sufficient to:

- a. pay the reasonable and necessary expenses of operating and maintaining the System in such fiscal year as are not paid from other lawfully available sources including, without limitation, the proceeds of the Borrower's 2% sales and use taxes now being levied pursuant to an election held on "November 18, 1981";
- b. provide net revenues in an amount equal to "1.25%" of the required deposits to the Sinking Fund and administrative fee for such fiscal year;
- c. make all other payments required for such fiscal year hereby and by the authorizing Ordinance, and any resolution or ordinance issuing parity obligations; and
- d. pay all other obligations or indebtedness payable out of the revenues for such fiscal year. Such rates, fees, rents, and other charges shall not at any time be reduced so as to be insufficient to provide adequate revenues for aforesaid purposes. To the extent that revenues from other lawfully available sources are used to pay the reasonable and necessary expenses of operating and maintaining the System, then such rates, fees, rents, and other charges may be correspondingly reduced.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

For the fiscal year ended June 30, 2019, operating receipts for the system totaled \$1,526,973. For the same period, operating disbursements, including required deposits into the various debt service funds, totaled \$1,287,079. The Town was in compliance with items a., b., c., and d. of the above rate covenant for the year ended June 30, 2019.

In connection with the rate covenant, the bond ordinance also contains specific procedures with regards to delinquent utility customers. The Town agreed that the failure of any person to pay the charges for any service rendered by the System within fifteen (15) days of the date on which it is due shall cause such charge to become delinquent; that if such delinquent charge, with interest and penalties accrued thereon, is not paid within thirty (30) days from the date on which it became delinquent, the Town will shut off water and sewer services to the affected premises.

The delinquent charge will be ten percent (10%) of the amount of the charge, and the amount so due, including the penalty charge, shall, after ten (10) days from the date of delinquency, bear interest at a reasonable rate of at least six percent (6%) per annum.

If a delinquent customer has had his service discontinued, the customer shall pay the delinquent charge, penalty, interest, and a reasonable re-connection charge in order to resume service.

At June 30, 2019, the Town was in **compliance** with the delinquent utility customers section of the bond ordinance.

The bond ordinance states that the delinquent charge will be 10 percent (10%) of the charge for water and sewer service. The Town charges a 10 percent (10%) penalty for all customers.

Annual Review of Users Fees- In the Loan and Pledge Agreement, the Town is required to review at least annually the adequacy of its user fees to satisfy the requirements of the rate covenant.

At June 30, 2019, the Town is in **compliance** with this covenant.

Records, Accounts, and Audit Requirements- The bond ordinance and loan agreement requires the Town to maintain and keep accurate records and accounts for the System separate and distinct from its other records and accounts. These System records shall be maintained in accordance with generally accepted accounting standards and shall be audited annually by an independent certified public accountant.

As of June 30, 2019, the Town was in **compliance** with this covenant as the Town was under contract with a certified public accountant for an audit of its records for the year ended June 30, 2019.

Insurance and Fidelity Bonds- The bond ordinance requires the Town to carry full coverage of insurance on the System while the loan agreement requires the Town to maintain insurance policies that will provide against the risk of direct physical loss, damage, or destruction of the System including liability coverage. In addition, per the bond ordinance the Town is required to obtain fidelity bonds on all its officers and employees in a position of authority or in possession of money derived from the operation of the System. The amount of coverage should be adequate to protect the Town from loss.

At June 30, 2019, the Town was in **compliance** with this covenant.

Other Covenants- The loan agreement requires the Town to establish a user charge to assure that each recipient of wastewater treatment services from the System will pay such recipient's proportionate share of the costs of operation and maintenance, including any necessary replacements of components of the Sewerage System.

At June 30, 2019, the Town was in **compliance** with this requirement.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(17) **DEDICATION OF PROCEED & FLOW OF FUNDS - UTILITIES REVENUE - USDA - SEWER**

The Town through its governing authority adopted an ordinance on June 1, 2010, authorizing the issuance of Utilities Revenue Bonds, Series 2011A, in the amount of \$2,262,000 to pay for the cost to construct and acquire improvements, extensions, renovations and/or replacements to the sewerage system of the Town. The ordinance also authorized the execution of a Loan and Pledge Agreement with the United States Department of Agriculture - Rural Development providing for the sale and delivery of said bonds to the United States Department of Agriculture - Rural Development; prescribing the form, fixing the details, and providing for the payment of principal and interest on such bonds, entering into certain covenants and agreements in connection with the security and payment of said bonds. In that ordinance and the Loan and Pledge Agreement, the income and revenues of the combined sewerage system and waterworks system are irrevocably pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes. In that ordinance and the Loan and Pledge Agreement, certain funds are required to be established as follows:

Utilities System Fund - The bond ordinance and the Loan and Pledge Agreement require that all revenues of the System shall be deposited in a separately identifiable account to be established with the Town's fiscal agent bank and designated as the "Utilities System Fund". The revenues deposited into the Utilities System Fund shall be expended in the following priority:

1.) Pay all reasonable and necessary expenses of operating and maintaining the Sewerage System

2.) Establish and fund a Sinking Fund as follows:

Moneys from the Utilities System Fund shall be deposited into the Sinking Fund in amounts sufficient to pay promptly and fully the principal of and interest on the Borrower Bonds and any Parity Obligations issued or hereafter as they severally become due and payable.

Moneys from the Utilities System Fund shall be transferred into the "Sinking Fund" monthly in advance on or before the twentieth (20th) day of each month of each year in an amount equal to the principal and interest with respect to the Borrower Bonds for such calendar month, together with such additional proportionate sum as may be required to pay such principal and interest as the same respectively become due.

Money in the Sinking Fund shall be deposited as trust funds and shall be used solely and are hereby expressly exclusively pledged for the purpose of paying principal of, interest on, and administrative fee, if any, with respect to the Borrower Bonds and any Parity Obligations. The borrower shall require its fiscal agent bank to transfer from the Sinking Fund to the paying agent (as defined in the Authorizing Ordinance) and any other paying agent bank or bank for any Parity Obligations payable from the Sinking Fund at least three (3) days in advance of each Interest payment date and principal payment date, funds fully sufficient to pay promptly the principal and interest falling due on such dates.

At June 30, 2019, the Town was in **compliance** with this covenant.

3.) Establish and fund a Reserve Fund as follows:

From the Revenue Fund, there shall be transferred monthly in advance on or before the twentieth (20th) day of each month of each year, to a separately identifiable account to be established with the Town's fiscal agent bank and designated as the Utilities Revenue Bond Reserve Fund, "Reserve" a sum at least equal to 25% of the amount required to be paid into the Sinking Fund for such month until such fund has accumulated an amount equal to the Reserve Fund Requirement; which is \$204,909 thru 2024.

At June 30, 2019, the Town was in **compliance** with this covenant.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

4.) Establish and fund a Utilities Depreciation and Contingency Fund as follows:

There is to be established and maintained with a Fiscal Agent Bank pursuant to the Authorizing Ordinance a separately identifiable fund or account designated as the "Utilities Depreciation and Contingency Fund". There shall be transferred to the Contingency Fund, on or before the twentieth (20th) day of each month of each year, an amount equal to five percent (5%) of the amount to be paid into the sinking fund.

Money accumulated in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payment in the Sinking Fund or the Reserve Fund.

At June 30, 2019, the Town was in **compliance** with this covenant.

5.) Establish and fund a Sewer Component Short-Lived Assets Fund as follows:

From the Revenue Fund, there shall be transferred monthly in advance on or before the twentieth (20th) day of each month of each year, to a separately identifiable account to be established with the Town's fiscal agent bank and designated as the Sewer Component Short-Lived Assets Fund, (the "Assets Fund") to provide for the maintenance and replacement of short lived assets of the System. The transfer shall be \$1,486 per month over the life of the bonds.

At June 30, 2019, the Town was in **compliance** with this covenant.

(18) **COMPLIANCE WITH UTILITIES REVENUE BONDS COVENANTS - USDA - SEWER**

The Town through its governing authority adopted an ordinance on June 1, 2010, authorizing the issuance of Utilities Revenue Bonds, Series 2011A, in the amount of \$2,262,000 to pay for the cost to construct and acquire improvements, extensions, renovations and/or replacements to the sewerage system of the Town. The ordinance also authorized the execution of a Loan and Pledge Agreement with the United States Department of Agriculture - Rural Development providing for the sale and delivery of said bonds to the United States Department of Agriculture - Rural Development; prescribing the form, fixing the details, and providing for the payment of principal and interest on such bonds, entering into certain covenants and agreements in connection with the security and payment of said bonds.

The major covenants contained in the bond resolution and agreement and the manner in which the Town has complied with these covenants is described as follows:

Rate Covenant - In the bond ordinance and agreement, the Town obligated itself to fix, establish, maintain, and collect such rates, fees, rents, and other charges of the services and facilities of the System and to revise rates whenever necessary to provide revenues in each fiscal year sufficient to:

- a. pay the reasonable and necessary expenses of operating and maintaining the System;
- b. to provide for the payment of this sewer bond and the DEQ loan;
- c. provide a reserve therefore and all other obligations or indebtedness payable out of the revenues of the System;
- d. provide reasonable depreciation and contingency funds to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the System; and
- e. provide net revenues in an amount equal to 120% of the largest amount of principal and interest on the DEQ loan and this sewer loan and any additional bonds hereafter.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

For the fiscal year ended June 30, 2019, operating receipts for the system totaled \$1,526,973. For the same period, operating disbursements, including required deposits into the various debt service funds, totaled \$1,287,079. The Town was in compliance with items a., b., c., d., and e. of the above rate covenant for the year ended June 30, 2019.

In connection with the rate covenant, the bond ordinance also contains specific procedures with regards to delinquent utility customers. The Town agreed that the failure of any person or business to pay the charges for any service rendered by the System within fifteen (15) days of the date on which it is due shall cause such charge to become delinquent; that if such delinquent charge, with interest and penalties accrued thereon, is not paid within ten (10) days from the date on which it became delinquent, the Town will shut off water and sewer services to the affected premises.

The delinquent charge will be ten percent (10%) of the amount of the charge, and the amount so due, including the penalty charge, shall, after thirty (30) days from the date of delinquency, bear interest at a reasonable rate of at least six percent (6%) per annum.

If a delinquent customer has had their service discontinued, the customer shall pay the delinquent charge, penalty, interest, and a reasonable re-connection charge in order to resume service.

At June 30, 2019, the Town was in **compliance** with the delinquent utility customers section of the bond ordinance.

The bond ordinance states that the delinquent charge will be 10 percent (10%) of the charge for water and sewer service. The Town charges a 10 percent (10%) penalty for all customers.

Records, Accounts, and Audit Requirements- The bond ordinance and loan agreement requires the Town to maintain and keep accurate records and accounts for the System separate and distinct from its other records and accounts. These System records shall be maintained in accordance with generally accepted accounting standards and shall be audited annually by an independent certified public accountant.

As of June 30, 2019, the Town was in **compliance** with this covenant as the Town was under contract with a certified public accountant for an audit of its records for the year ended June 30, 2019.

Insurance and Fidelity Bonds- The bond ordinance requires the Town to carry full coverage of insurance on the System while the loan agreement requires the Town to maintain insurance policies that will provide against the risk of direct physical loss, damage, or destruction of the System including liability coverage. In addition, per the bond ordinance the Town is required to obtain fidelity bonds on all its officers and employees in a position of authority or in possession of money derived from the operation of the System. The amount of coverage should be adequate enough to protect the Town from loss.

At June 30, 2019, the Town was in **compliance** with this covenant.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(19) **DEDICATION OF PROCEED & FLOW OF FUNDS - UTILITIES REVENUE - USDA - WATER**

The Town through its governing authority adopted an ordinance on January 4, 2011, authorizing the issuance of Utilities Revenue Bonds, Series 2011B, in the amount of \$1,995,000 to pay for the cost of constructing and acquiring improvements and renovations to the water system of the Town. The ordinance also authorized the execution of a Loan and Pledge Agreement with the United States Department of Agriculture - Rural Development providing for the sale and delivery of said bonds to the United States Department of Agriculture - Rural Development; prescribing the form, fixing the details, and providing for the payment of principal and interest on such bonds; and entering into certain covenants and agreements in connection with the security and payment of said bonds. In that ordinance and the Loan and Pledge Agreement, the income and revenues of the combined sewerage system and waterworks system are irrevocably pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes. In that ordinance and the Loan and Pledge Agreement, certain funds are required to be established as follows:

Utilities System Fund - The bond ordinance and the Loan and Pledge Agreement require that all revenues of the System shall be deposited in a separately identifiable account to be established with the Town's fiscal agent bank and designated as the "Utilities System Fund". The revenues deposited into the Utilities System Fund shall be expended in the following priority:

- 1.) Pay all reasonable and necessary expenses of operating and maintaining the Water System.
- 2.) Establish and fund a Sinking Fund as follows:

Moneys from the Utilities System Fund shall be deposited into the Sinking Fund in amounts sufficient to pay promptly and fully the principal of and interest on the Borrower Bonds and any Parity Obligations issued or hereafter as they severally become due and payable.

Moneys from the Utilities System Fund shall be transferred into the "Sinking Fund" monthly in advance on or before the twentieth (20th) day of each month of each year in an amount equal to the principal and interest with respect to the Borrower Bonds for such calendar month, together with such additional proportionate sum as may be required to pay such principal and interest as the same respectively become due.

Money in the Sinking Fund shall be deposited as trust funds and shall be used solely and are hereby expressly exclusively pledged for the purpose of paying principal of, interest on, and administrative fee, if any, with respect to the Borrower Bonds and any Parity Obligations. The borrower shall require its fiscal agent bank to transfer from the Sinking Fund to the paying agent (as defined in the Authorizing Ordinance) and any other paying agent bank or bank for any Parity Obligations payable from the Sinking Fund at least three (3) days in advance of each Interest payment date and principal payment date, funds fully sufficient to pay promptly the principal and interest falling due on such dates.

At June 30, 2019, the Town was in **compliance** with this covenant.

- 3.) Establish and fund a Reserve Fund as follows:

From the Revenue Fund, there shall be transferred monthly in advance on or before the twentieth (20th) day of each month of each year, to a separately identifiable account to be established with the Town's fiscal agent bank and designated as the Utilities Revenue Bond Reserve Fund, "Reserve" a sum at least equal to 25% of the amount required to be paid into the Sinking Fund for such month until such fund has accumulated an amount equal to the Reserve Fund Requirement; which is \$291,860 thru 2052.

At June 30, 2019, the Town was in **compliance** with this covenant.

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

4.) Establish and fund a Utilities Depreciation and Contingency Fund as follows:

There is to be established and maintained with a Fiscal Agent Bank pursuant to the Authorizing Ordinance a separately identifiable fund or account designated as the "Utilities Depreciation and Contingency Fund". There shall be transferred to the Contingency Fund, on or before the twentieth (20th) day of each month of each year, an amount equal to five percent (5%) of the amount to be paid into the sinking fund.

Money accumulated in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payment in the Sinking Fund or the Reserve Fund.

At June 30, 2019, the Town was in **compliance** with this covenant.

5.) Establish and fund a Water Component Short-Lived Assets Fund as follows:

From the Revenue Fund, there shall be transferred monthly in advance on or before the twentieth (20th) day of each month of each year, to a separately identifiable account to be established with the Town's fiscal agent bank and designated as the Water Component Short-Lived Assets Fund, (the "Assets Fund") to provide for the maintenance and replacement of short lived assets of the System. The transfer shall be \$2,400 per month over the life of the bonds.

At June 30, 2019, the Town was in **compliance** with this covenant.

(20) **COMPLIANCE WITH UTILITIES REVENUE BONDS COVENANTS - USDA - WATER**

The Town through its governing authority adopted an ordinance on January 4, 2011, authorizing the issuance of Utilities Revenue Bonds, Series 2011B, in the amount of \$1,995,000 to pay for the cost of constructing and acquiring improvements and renovations to the water system of the Town. The ordinance also authorized the execution of a Loan and Pledge Agreement with the United States Department of Agriculture - Rural Development providing for the sale and delivery of said bonds to the United States Department of Agriculture - Rural Development; prescribing the form, fixing the details, and providing for the payment of principal and interest on such bonds; and entering into certain covenants and agreements in connection with the security and payment of said bonds.

The major covenants contained in the bond resolution and agreement and the manner in which the Town has complied with these covenants is described as follows:

Rate Covenant - In the bond ordinance and agreement, the Town obligated itself to fix, establish, maintain, and collect such rates, fees, rents, and other charges of the services and facilities of the System and to revise rates whenever necessary to provide revenues in each fiscal year sufficient to:

- a. pay the reasonable and necessary expenses of operating and maintaining the System;
- b. to provide for the payment of this water bond, the sewer bond, and the DEQ loan;
- c. provide a reserve therefore and all other obligations or indebtedness payable out of the revenues of the System;
- d. provide reasonable depreciation and contingency funds to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the System; and
- e. provide net revenues in an amount equal to 120% of the largest amount of principal and interest on the DEQ loan and this sewer loan and any additional bonds hereafter.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

For the fiscal year ended June 30, 2019, operating receipts for the system totaled \$1,526,973. For the same period, operating disbursements, including required deposits into the various debt service funds, totaled \$1,287,079. The Town was in compliance with items a., b., c., d., and e. of the above rate covenant for the year ended June 30, 2019.

In connection with the rate covenant, the bond ordinance also contains specific procedures with regards to delinquent utility customers. The Town agreed that the failure of any person or business to pay the charges for any service rendered by the System within fifteen (15) days of the date on which it is due shall cause such charge to become delinquent; that if such delinquent charge, with interest and penalties accrued thereon, is not paid within ten (10) days from the date on which it became delinquent, the Town will shut off water and sewer services to the affected premises.

The delinquent charge will be ten percent (10%) of the amount of the charge, and the amount so due, including the penalty charge, shall, after thirty (30) days from the date of delinquency, bear interest at a reasonable rate of at least six percent (6%) per annum.

If a delinquent customer has had their service discontinued, the customer shall pay the delinquent charge, penalty, interest, and a reasonable re-connection charge in order to resume service.

At June 30, 2019, the Town was in **compliance** with the delinquent utility customers section of the bond ordinance.

The bond ordinance states that the delinquent charge will be 10 percent (10%) of the charge for water and sewer service. The Town charges a 10 percent (10%) penalty for all customers.

Records, Accounts, and Audit Requirements- The bond ordinance and loan agreement requires the Town to maintain and keep accurate records and accounts for the System separate and distinct from its other records and accounts. These System records shall be maintained in accordance with generally accepted accounting standards and shall be audited annually by an independent certified public accountant.

As of June 30, 2019, the Town was in compliance with this covenant as the Town was under contract with a certified public accountant for an audit of its records for the year ended June 30, 2019.

Insurance and Fidelity Bonds- The bond ordinance requires the Town to carry full coverage of insurance on the System while the loan agreement requires the Town to maintain insurance policies that will provide against the risk of direct physical loss, damage, or destruction of the System including liability coverage. In addition, per the bond ordinance the Town is required to obtain fidelity bonds on all its officers and employees in a position of authority or in possession of money derived from the operation of the System. The amount of coverage should be adequate enough to protect the Town from loss.

At June 30, 2019, the Town was in **compliance** with this covenant.

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

(21) **DEDICATION OF PROCEEDS & FLOW OF FUNDS - SALES AND USE TAX**

A portion of the proceeds of a 2% sales and use tax levied by the Town net of collection expenses (2019, \$3,123,238, 2018 \$3,124,168) are dedicated as follows:

1. The proceeds of the 2% sales and use tax are pledged toward the operating expenses of the Waterworks and Sewer System in connection with the issuance of Utilities Revenue Bonds, Series 2002.

The dedication is based on the bond resolution adopted August 6, 2002.

2. Provide funds for an economic development fund to be used at the discretion of the Mayor and Board of Aldermen. This funding totals 2.5% of sales and use tax collections.

The dedication is based on an ordinance adopted July 1, 2003.

3. The proceeds of the 2% sales and use tax are pledged toward the operating expenses of the Waterworks and Sewer System in connection with the issuance of Utilities Revenue Bonds, Series 2011A.

The dedication is based on adoption of Ordinance No. 8-2010 on June 1, 2010.

4. The proceeds of the 2% sales and use tax are pledged toward the operating expenses of the Waterworks and Sewer System in connection with the issuance of Utilities Revenue Bonds, Series 2011B.

The dedication is based on adoption of Ordinance No. 1-2011 on January 4, 2011.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted dedications shall be regarded as surplus and may be used for any lawful corporate purpose.

The Town's sales and use taxes are collected by the Central Collection Commission (CCC) of Tangipahoa Parish. For these services, the Town pays CCC a monthly charge of .65 percent of amounts collected plus expenses.

(22) **CHANGES IN AGENCY FUNDS**

A summary of changes in agency fund balances follows:

	<u>Balances at</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances at</u> <u>June 30, 2019</u>
Bond Money Agency Fund	\$ 7,543	\$ 129,640	\$ 132,655	\$ 4,528
Prisoner Personal Money Agency Func	<u>717</u>	<u>1,093</u>	<u>1,083</u>	<u>727</u>
Total	<u>\$ 8,260</u>	<u>\$ 130,733</u>	<u>\$ 133,738</u>	<u>\$ 5,255</u>

Town of Amite City

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

(23) **INTERFUND RECEIVABLES AND PAYABLES / TRANSFERS**

A. Balances due to/from other funds at June 30, 2019, consist of the following:

Due to the General Fund from the Waterworks and Sewer Fund for Garbage Fees collected, employee health insurance paid by the General Fund, and less other items.	\$ 40,989
Due to the Economic Development Fund from the General Fund to offset cash shortage.	92,500
Due to the Bond Money Agency Fund from the General Fund for overpayments made during the year.	<u>572</u>
	<u>\$134,061</u>

Summary of balances due from (to) other funds reported in fund financial statements:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Balance Sheet - Governmental Funds	\$ 133,489	\$ 93,072
Statement of Net Position - Proprietary Fund	-	40,989
Statement of Fiduciary Net Position - Fiduciary Fund	<u>572</u>	<u>-</u>
	<u>\$ 134,061</u>	<u>\$ 134,061</u>

B. Interfund transfers at June 30, 2019, consist of the following:

From the Sales Tax Fund to the General Fund to subsidize operations.	\$ 3,069,834
From the Sales Tax Fund to the Economic Development Fund as required by Ordinance 10-2003.	77,912
From the General Fund to the Arts Council Fund for the required transfer of franchise-cable tax.	12,000
From Economic Development Fund to General Fund for payment of Pride Network, Inc. settlement.	<u>120,000</u>
	<u>\$ 3,279,746</u>

(24) **LITIGATION AND CLAIMS**

At June 30, 2019, the Town is involved in litigation or is aware of various claims totaling an undetermined amount.

On September 6, 2018, the Town settled a legal proceeding involving a Town employee. The Town paid the sum of \$3,000. The full \$3,000 has been recognized in the General Fund as a current year expenditure.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

(25) **COMPENSATION PAID MAYOR, CHIEF OF POLICE, TOWN COUNCIL,
AND BOARD MEMBERS**

Amounts paid to the Mayor, Chief of Police, and members of the Town Council for compensation are as follows:

Milton "Buddy" Bel, Mayor	\$ 19,600
Jerry Trabona, Chief of Police	78,969
<u>Town Council</u>	
Jonathon Foster	9,400
Charles C. Currier	9,400
Roseline A. Sumrall	9,400
Emanuel Zander	9,400
Kris Hart	9,400
	<u>\$145,569</u>

Compensation paid to the board members of the Town of Amite City's Planning and Zoning Commission for the year ended June 30, 2019, is as follows:

Wash Edwards	\$ 175
Irma Kelly	100
Chic Core	150
	<u>\$ 425</u>

(26) **ON BEHALF PAYMENTS BY STATE OF LOUISIANA**

For the year ended June 30, 2019 the State of Louisiana made on behalf payments in the form of supplemental pay to the Town's policemen. In accordance with GASB 24, the Town has recorded \$123,767 of on behalf payments as revenue and as expense in the General Fund.

(27) **RISK MANAGEMENT**

The Town of Amite City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town attempts to minimize risk from significant losses through the purchase of commercial insurance.

(28) **CUSTODIAL CREDIT RISK – DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$4,491,711 of the Town's bank balances are exposed to custodial credit risk. The \$4,014,178 is uninsured but collateralized with securities held by the pledging institution's trust department or agent, but not in the Town's name. \$158,216 is uninsured and uncollateralized in a money market account.

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

(29) **RESTATED FUND BALANCE / NET POSITION**

A. The following funds beginning fund balance has been restated to reflect the retroactive recording of prior period adjustments to the June 30, 2018, balance:

General Fund

Fund balance at June 30, 2018	\$ 257,884
Increase in prior year animal shelter expense	<u>(6,212)</u>
Fund balance at June 30, 2018, as restated	<u>\$ 251,672</u>

B. The beginning net position of the Governmental Funds has been restated:

Net Position at June 30, 2018	\$ 2,113,939
Effect of prior period adjustments made to fund balance	<u>(6,212)</u>
Net position at June 30, 2018, as restated	<u>\$ 2,107,727</u>

As a result of the above prior period adjustments, the Change in Net Position for the year ended June 30, 2018, has been adjusted from \$2,113,939 to \$2,107,727 a difference of \$6,212

(30) **OTHER MATTERS – POTENTIAL THEFT OF FUEL**

On December 23, 2019, the Town notified the Louisiana Legislative Auditor, the District Attorney and the Tangipahoa Parish Sheriff requesting an investigation into a potential theft of fuel by an employee.

No provision for any receivable that may result from the above has been included in the accompanying financial statements due to the estimated amount of restitution being unknown at this time, but believed to be less than \$10,000; an amount immaterial to the financial statements.

(31) **COMMITMENTS AND CONTINGENCIES**

The Town had one professional service contract as of June 30, 2019. At year end, the commitments were with the following contractors:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Pan American Engineers, LLC.	<u>\$ 24,095</u>	<u>\$ 70,150</u>
	<u>\$ 24,095</u>	<u>\$ 70,150</u>

(32) **SUBSEQUENT EVENTS**

Subsequent to June 30, 2019, the following events occurred:

- Five police vehicles purchased as a capital lease were delivered after the fiscal year end. The first installment payment of \$42,812 was made on July 25, 2019.
- In August 2019, the DMV office in Amite was closed due to mold. The Town will not receive revenue from the DMV until the building is re-opened.
- On September 27, 2019, the Town purchased a 2019 Ram truck for \$21,495.

Town of Amite City

NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

- On October 29, 2019, the Town purchased a 1999 International for \$6,000, a 2003 Ford F-150 for \$2,000, and a 2004 Ford F-150 for \$2,000 from the State of Louisiana.
- On November 8, 2019, the Town adopted Resolution 8-2019, to apply for a LGAP grant in the amount of \$10,000 to purchase a service vehicle.
- On November 8, 2019, the Town adopted Resolution 9-2019, to apply for a CWEF grant.
- On December 3, 2019, the Town awarded a bid in the amount of \$303,202 to American Process Group, Inc. for Wastewater Treatment Plant Improvements – Sludge Removal from Lagoon.

Subsequent events have been evaluated by management through December 23, 2019, the date the financial statements were available for issuance. No other events were noted requiring recording or additional disclosure in the financial statements for the year ending June 30, 2019.

REQUIRED SUPPLEMENTAL INFORMATION

Town of Amite City

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND-SUMMARY

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Taxes	\$ 320,500	\$ 329,500	\$ 320,584	\$ (8,916)
Licenses and permits	294,500	294,500	295,256	756
Intergovernmental	295,425	286,773	275,885	(10,888)
Fines and forfeitures	156,000	158,000	121,903	(36,097)
Sanitation service fees	306,000	306,000	295,646	(10,354)
Prisoner housing fees	15,000	15,000	14,253	(747)
Subpoena & bond appearance fees	8,000	8,000	4,625	(3,375)
Rentals and recreational	18,000	18,000	13,800	(4,200)
Miscellaneous	52,550	72,550	61,429	(11,121)
Total revenues	<u>1,465,975</u>	<u>1,488,323</u>	<u>1,403,381</u>	<u>(84,942)</u>
<u>Expenditures</u>				
Current-				
General government	1,618,627	1,307,052	1,201,135	105,917
Public safety- police	1,473,500	1,787,700	1,737,361	50,339
Public safety- fire	320,000	320,000	320,000	-
Streets	822,193	958,562	995,502	(36,940)
Sanitation	285,000	308,500	284,400	24,100
Community Center	11,500	12,300	10,029	2,271
Cemetery	11,675	11,675	10,305	1,370
Parks and recreation	51,342	75,075	71,901	3,174
Intergovernmental (DMV)	12,500	16,500	15,125	1,375
Miscellaneous	36,298	34,373	43,112	(8,739)
Total expenditures	<u>4,642,635</u>	<u>4,831,737</u>	<u>4,688,870</u>	<u>142,867</u>
(Deficiency) of revenues over expenditures	<u>(3,176,660)</u>	<u>(3,343,414)</u>	<u>(3,285,489)</u>	<u>57,925</u>
<u>Other financing sources (uses)</u>				
Sale of fixed assets	3,000	3,000	3,162	162
Transfers in	3,100,000	3,190,000	3,189,834	(166)
Transfers out	(12,000)	(12,000)	(12,000)	-
Loan Proceeds	-	-	157,800	157,800
Total other financing sources	<u>3,091,000</u>	<u>3,181,000</u>	<u>3,338,796</u>	<u>157,796</u>
Net change in Fund Balance	(85,660)	(162,414)	53,307	215,721
Fund balance - beginning, restated	<u>269,668</u>	<u>251,672</u>	<u>251,672</u>	<u>-</u>
Fund balance - ending	<u>\$ 184,008</u>	<u>\$ 89,258</u>	<u>\$ 304,979</u>	<u>\$ 215,721</u>

See independent auditor's report.

Town of Amite City

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND - DETAIL

For the Year Ended June 30, 2019

<u>Revenues</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Taxes-				
Ad Valorem	\$ 143,000	\$ 152,000	\$ 158,113	\$ 6,113
Public utilities franchise	177,500	177,500	162,471	(15,029)
Licenses and permits-				
Occupational licenses	277,000	277,000	266,732	(10,268)
Chain store licenses	10,000	10,000	6,566	(3,434)
Permits	7,500	7,500	21,958	14,458
Intergovernmental-				
Beer taxes	10,000	10,000	13,413	3,413
Federal grants	25,000	25,073	26,808	1,735
LGAP Grant	8,125	6,400	-	(6,400)
La HWY Safety Commission Grant	6,000	6,000	-	(6,000)
State highway maintenance	5,300	5,300	5,300	-
Motions money	3,000	3,000	-	(3,000)
Department of Motor Vehicles	85,000	85,000	86,597	1,597
On behalf payments by the state	126,000	126,000	123,767	(2,233)
In school officer-TPSB	27,000	20,000	20,000	-
Fines and forfeitures	156,000	158,000	121,903	(36,097)
Charges for services-				
Garbage fees	306,000	306,000	295,646	(10,354)
Prisoner housing fees	15,000	15,000	14,253	(747)
Subpoena & bond appearance fees	8,000	8,000	4,625	(3,375)
Rentals and recreational	18,000	18,000	13,800	(4,200)
Miscellaneous revenues-				
Coke Fund	300	300	890	590
Cemetery	35,000	35,000	21,400	(13,600)
Interest	5,000	5,000	6,101	1,101
Miscellaneous	8,000	8,000	8,345	345
Planning & Zoning	250	250	125	(125)
Accident reports	4,000	4,000	4,568	568
Tangi Hotel Cultural Center	-	20,000	20,000	-
Total revenues	<u>\$ 1,465,975</u>	<u>\$ 1,488,323</u>	<u>\$ 1,403,381</u>	<u>\$ (84,942)</u>

(Continued)

See independent auditor's report.

Town of Amite City

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND - DETAIL

For the Year Ended June 30, 2019

<u>General Government</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Salaries - Mayor and Council	\$ 56,400	\$ 66,600	\$ 66,600	\$ -
Salaries - Town Clerk	78,000	81,300	79,481	1,819
Salaries - Clerical & Clerk of Court	112,000	115,500	110,939	4,561
Retirement contributions	48,750	62,500	68,299	(5,799)
Employee benefits- Health, Life, Denta	570,000	105,000	106,568	(1,568)
Payroll taxes	145,000	145,000	147,030	(2,030)
Attorney	40,000	40,000	38,141	1,859
Audit and accounting services	50,000	50,000	43,935	6,065
Insurance (all departments)	310,000	310,000	353,331	(43,331)
Office expense	17,000	17,000	13,410	3,590
Official journal	2,500	2,500	2,058	442
City Hall utilities	11,000	11,000	11,219	(219)
City Hall telephones	7,500	7,500	6,403	1,097
City Hall maintenance	1,000	4,600	4,841	(241)
Convention expense	6,450	2,000	1,811	189
Dues	2,000	2,000	1,541	459
Ad Valorem collection fees	10,000	15,000	21,305	(6,305)
Assessor and tax roll	2,881	2,881	2,873	8
Public relations	300	300	-	300
Compliance officer expense	6,000	6,000	5,838	162
Medical expense	2,000	2,000	2,715	(715)
Miscellaneous	5,000	5,000	4,733	267
Contract services	5,000	5,000	2,300	2,700
Magistrate judge and city prosecutor	47,421	47,421	47,421	-
Litter program	2,000	2,000	1,729	271
Janitorial - city hall	4,000	4,000	3,560	440
Amite Pride Salaries	30,000	39,000	39,220	(220)
Amite Pride expenses	16,000	7,700	4,375	3,325
Library Parking Lot	1,000	1,000	-	1,000
LGAP Grant	8,125	7,000	-	7,000
Mayor's court expense	4,000	4,000	3,811	189
Subpoena wages & Bond expense	4,000	4,000	2,197	1,803
Election expense	1,750	1,750	-	1,750
Equipment acquisition	11,050	10,000	-	10,000
Downtown Coordinator	500	500	451	49
Settlement expenditure employee	-	-	3,000	(3,000)
Pride Network Settlement	-	120,000	-	120,000
Total General Government	<u>\$ 1,618,627</u>	<u>\$ 1,307,052</u>	<u>\$ 1,201,135</u>	<u>\$ 105,917</u>

(Continued)

See independent auditor's report.

Town of Amite City

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND - DETAIL

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<u>Public Safety - Police</u>				
Salaries - Chief of Police	\$ 78,000	\$ 78,000	\$ 79,026	\$ (1,026)
Salaries and benefits	881,000	1,182,000	1,134,772	47,228
In School Officer	27,000	27,000	27,680	(680)
On behalf payments by state	126,000	126,000	123,767	2,233
Retirement contributions	108,000	118,000	134,757	(16,757)
Auto fuel	50,000	50,000	52,233	(2,233)
Auto repairs	39,000	39,000	31,390	7,610
Uniforms	11,500	11,500	7,622	3,878
Repairs and maintenance	8,000	8,000	15,132	(7,132)
Prisoner expense	17,000	17,000	16,624	376
Office expense	52,500	52,500	30,158	22,342
Schools - conventions	7,000	7,000	1,682	5,318
Utilities	25,000	25,000	27,104	(2,104)
Equipment rent	2,000	2,000	2,090	(90)
Capital acquisitions	7,000	7,000	18,506	(11,506)
Equipment	13,000	13,000	24,713	(11,713)
Drug Fund Expenditures	5,000	5,000	6,557	(1,557)
Grant expense	15,000	15,000	-	15,000
Evidence Storage	-	3,200	3,200	-
Informant monies	1,500	1,500	-	1,500
Miscellaneous expense	-	-	348	(348)
Total Public Safety - Police	<u>\$ 1,473,500</u>	<u>\$ 1,787,700</u>	<u>\$ 1,737,361</u>	<u>\$ 50,339</u>
<u>Public Safety - Fire</u>				
Fire Protection District No. 1	\$ 320,000	\$ 320,000	\$ 320,000	\$ -
Total Public Safety - Fire	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ 320,000</u>	<u>\$ -</u>

(Continued)

See independent auditor's report.

Town of Amite City

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND - DETAIL

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<u>Streets</u>				
Salaries and benefits	\$ 412,000	\$ 542,000	\$ 553,591	\$ (11,591)
Street and traffic lights	100,000	100,000	88,193	11,807
Equipment fuel	20,000	20,000	28,894	(8,894)
Landfill	25,000	25,000	17,418	7,582
Materials and supplies	60,000	60,000	51,238	8,762
Uniforms	12,000	12,000	14,301	(2,301)
Utilities	10,000	10,000	9,999	1
USDA Truck Grant	26,176	34,062	33,289	773
Street vehicle maintenance	43,000	43,000	60,532	(17,532)
Street Drainage	40,000	40,000	91,477	(51,477)
District Public Works	25,000	25,000	12,935	12,065
Mosquito spraying	5,000	5,000	1,735	3,265
Street overlay	-	-	14,400	(14,400)
Equipment acquisitions	25,000	25,000	-	25,000
Christmas Lights	19,017	17,500	17,500	-
Total Streets	<u>\$ 822,193</u>	<u>\$ 958,562</u>	<u>\$ 995,502</u>	<u>\$ (36,940)</u>
<u>Sanitation</u>				
Salaries and Benefits	\$ 80,000	\$ 103,500	\$ 102,965	\$ 535
Equipment repairs and supplies	82,000	82,000	60,557	21,443
Fuel	26,000	26,000	29,300	(3,300)
Landfill	97,000	97,000	91,578	5,422
Total Sanitation	<u>\$ 285,000</u>	<u>\$ 308,500</u>	<u>\$ 284,400</u>	<u>\$ 24,100</u>
<u>Community Center</u>				
Salaries and Benefits	-	\$ 800	\$ 1,022	\$ (222)
Utilities	6,000	6,000	6,513	(513)
Repairs and supplies	5,500	5,500	2,494	3,006
Total Community Center	<u>\$ 11,500</u>	<u>\$ 12,300</u>	<u>\$ 10,029</u>	<u>\$ 2,271</u>
<u>Cemetery</u>				
Materials, supplies, and fuel	\$ 7,275	\$ 7,275	\$ 6,865	\$ 410
Cemetery slab	3,000	3,000	2,209	791
Miscellaneous	500	500	377	123
Utilities	900	900	854	46
Total Cemetery	<u>\$ 11,675</u>	<u>\$ 11,675</u>	<u>\$ 10,305</u>	<u>\$ 1,370</u>

(Continued)

See independent auditor's report.

Town of Amite City

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - DETAIL**

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<u>Parks and Recreation</u>				
Salaries and Benefits	\$ 13,642	\$ -	\$ -	-
Repairs, supplies, and beautification	8,500	8,500	6,592	1,908
Utilities	5,000	5,000	5,200	(200)
Park improvements	-	24,000	22,537	1,463
Equipment repairs	1,200	-	-	-
Fuel	1,000	-	-	-
Contract Mowing	22,000	37,575	37,572	3
Total Parks and Recreation	<u>\$ 51,342</u>	<u>\$ 75,075</u>	<u>\$ 71,901</u>	<u>\$ 3,174</u>
 <u>Intergovernmental (DMV)</u>				
Maintenance and utilities	\$ 2,000	\$ 6,000	\$ 7,087	\$ (1,087)
Utilities	6,000	6,000	5,392	608
Janitorial	4,500	4,500	2,646	1,854
Total intergovernmental	<u>\$ 12,500</u>	<u>\$ 16,500</u>	<u>\$ 15,125</u>	<u>\$ 1,375</u>
 <u>Miscellaneous</u>				
Coroner	\$ 11,000	\$ 9,000	\$ 7,244	\$ 1,756
Senior citizens	12,000	12,000	16,150	(4,150)
Planning and zoning	375	450	425	25
Animal shelter	12,423	12,423	18,634	(6,211)
Chamber of Commerce	500	500	659	(159)
Total Miscellaneous	<u>\$ 36,298</u>	<u>\$ 34,373</u>	<u>\$ 43,112</u>	<u>\$ (8,739)</u>
 <u>Other Financing Sources (Uses)</u>				
Sale of capital assets	\$ 3,000	\$ 3,000	\$ 3,162	\$ 162
Loan Proceeds	-	-	157,800	157,800
Operating transfers in:				
Sales Tax Fund	3,100,000	3,070,000	3,069,834	(166)
Economic Development	-	120,000	120,000	-
Operating transfers out:				
Arts Council Fund	(12,000)	(12,000)	(12,000)	-
Total Other Financing Sources (Uses)	<u>\$ 3,091,000</u>	<u>\$ 3,181,000</u>	<u>\$ 3,338,796</u>	<u>\$ 157,796</u>

(Concluded)

See independent auditor's report.

Town of Amite City

BUDGETARY COMPARISON SCHEDULE
SALES TAX FUND
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Sales taxes	\$ 3,150,000	\$ 3,108,000	\$ 3,142,688	\$ 34,688
Interest	1,000	950	877	(73)
Total revenues	3,151,000	3,108,950	3,143,565	34,615
<u>Expenditures</u>				
General government - Collection fees	20,475	20,202	20,327	(125)
Total expenditures	20,475	20,202	20,327	(125)
Excess of revenues over expenditures	3,130,525	3,088,748	3,123,238	34,490
<u>Other financing (uses)</u>				
Transfers in	(3,100,000)	(3,070,000)	(3,069,834)	166
Transfer out	(78,750)	(77,700)	(77,912)	(212)
Total other financing (uses)	(3,178,750)	(3,147,700)	(3,147,746)	(46)
Net change in Fund Balance	(48,225)	(58,952)	(24,508)	34,444
Fund balance - beginning	93,711	313,594	313,594	-
Fund balance - ending	\$ 45,486	\$ 254,642	\$ 289,086	\$ 34,444

See independent auditor's report.

Town of Amite City

BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENTS FUND
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Interest	\$ 250	\$ 225	\$ 198	\$ (27)
Total revenues	<u>250</u>	<u>225</u>	<u>198</u>	<u>(27)</u>
<u>Expenditures</u>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>250</u>	<u>225</u>	<u>198</u>	<u>(27)</u>
<u>Other financing sources</u>				
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in Fund Balance	250	225	198	(27)
Fund balance - beginning	<u>1,748</u>	<u>1,680</u>	<u>1,680</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,998</u>	<u>\$ 1,905</u>	<u>\$ 1,878</u>	<u>\$ (27)</u>

See independent auditor's report.

Town of Amite City

BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT FUND
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Interest	\$ 7,500	\$ 8,500	\$ 8,575	\$ 75
Total revenues	<u>7,500</u>	<u>8,500</u>	<u>8,575</u>	<u>75</u>
<u>Expenditures</u>				
TEDF Dues	2,055	2,055	2,055	-
Chamber of Commerce	13,200	13,200	13,200	-
Survey W.- Mulberry Extension	-	9,500	-	9,500
Misc. Expense	-	-	71	(71)
Downtown parking lot	-	-	1,200	(1,200)
DMV Renovations	-	-	1,500	(1,500)
Total Expenditures	<u>15,255</u>	<u>24,755</u>	<u>18,026</u>	<u>6,729</u>
(Deficiency) of revenues over expenditures	(7,755)	(16,255)	(9,451)	6,804
<u>Other financing sources</u>				
Operating transfers in(out):				
Sales Tax Fund	73,250	78,000	77,912	(88)
General Fund	-	(120,000)	(120,000)	-
Total other financing sources	<u>73,250</u>	<u>(42,000)</u>	<u>(42,088)</u>	<u>(88)</u>
Net change in Fund Balance	65,495	(58,255)	(51,539)	6,716
Fund balance - beginning	<u>847,768</u>	<u>847,768</u>	<u>847,768</u>	<u>-</u>
Fund balance – ending	<u>\$ 913,263</u>	<u>\$ 789,513</u>	<u>\$ 796,229</u>	<u>\$ 6,716</u>

See independent auditor's report.

Town of Amite City

BUDGETARY COMPARISON SCHEDULE
ARTS COUNCIL FUND
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Interest	\$ 600	\$ 725	\$ 748	\$ 23
Miscellaneous - Ticket sales	350	1,140	980	(160)
Art grant	-	-	360	360
Total revenues	<u>950</u>	<u>1,865</u>	<u>2,088</u>	<u>223</u>
<u>Expenditures</u>				
Art Development	10,000	10,000	9,229	771
Entergy	2,000	2,000	1,302	698
Park Project	20,000	20,000	20,000	-
Total expenditures	<u>32,000</u>	<u>32,000</u>	<u>30,531</u>	<u>1,469</u>
(Deficiency) of revenues over expenditures	<u>(31,050)</u>	<u>(30,135)</u>	<u>(28,443)</u>	<u>1,692</u>
<u>Other financing sources</u>				
Operating transfers in:				
General Fund	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total other financing sources	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Net change in Fund Balance	(19,050)	(18,135)	(16,443)	1,692
Fund balance - beginning	<u>78,274</u>	<u>78,274</u>	<u>78,274</u>	<u>-</u>
Fund balance – ending	<u>\$ 59,224</u>	<u>\$ 60,139</u>	<u>\$ 61,831</u>	<u>\$ 1,692</u>

See independent auditor's report.

Town of Amite City

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
For the Year Ended June 30, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Town's proportion of the net pension liability (asset)	.158%	.134%	.1259%	.1079%	.1072%
Town's proportionate share of the net pension liability (asset)	\$ 991,227	\$ 1,047,141	\$ 1,179,794	\$ 942,641	\$ 906,411
Town's covered-employee payroll	\$ 347,727	\$ 353,166	\$ 321,150	\$ 320,808	\$ 417,848
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	285.05%	296.50%	367.37%	293.83%	216.92%
Plan fiduciary net position as a percentage of the total pension liability	75.10%	70.73%	66.04%	70.08%	71.89%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Data reported is measured as of June 30, 2018, (measurement date).

See independent auditor's report.

Town of Amite City

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
For the Year Ended June 30, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 112,601	\$ 104,912	\$ 102,261	\$ 97,313	\$ 134,757
Contributions in relation to the contractually required contribution	<u>\$ 112,601</u>	<u>\$ 104,912</u>	<u>\$ 102,261</u>	<u>\$ 97,313</u>	<u>\$ 134,757</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
61 Town's covered-employee payroll	\$ 347,727	\$ 353,166	\$ 321,150	\$ 320,808	\$ 417,848
Contributions as a percentage of covered-employee payroll	32.38%	29.70%	31.84%	30.33%	32.23%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Data reported is measured as of June 30, 2018, (measurement date).

See independent auditor's report.

Town of Amite City

SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEADS
For the Year Ended June 30, 2019

Agency Head - Milton Bel, Mayor

<u>Purpose</u>	Amount
Salary	\$ 19,600
Benefits - Insurance	19,218
Benefits - Medicare	284
Mileage reimbursement	822
Telephone	687
Worker's Compensation Insurance	<u>121</u>
	<u>\$ 40,732</u>

Agency Head - Jerry Trabona, Elected Chief of Police

<u>Purpose</u>	Amount
Salary	\$ 78,969
State Supplemental Pay	6,000
Benefits - Insurance	19,218
Benefits - Retirement (32.25% MPERS)	27,403
Benefits - Medicare	1,232
Registration fees to conferences and dues	300
Telephone	871
Travel (lodging and meals)	474
Worker's Compensation Insurance	<u>6,053</u>
	<u>\$ 140,520</u>

See independent auditor's report.

OTHER SUPPLEMENTAL INFORMATION

Town of Amite City

UTILITIES REVENUE BONDS - ADDITIONAL INFORMATION

As of and for the Year Ended June 30, 2019

The resolution authorizing the issuance of \$1,330,000 Utilities Revenue Bonds require the following selected information to be submitted in connection with the audit report:

a. <u>Selected Revenues</u>	<u>Total System</u>	<u>Water Works</u>	<u>Sewer</u>
Water revenues	\$ 621,651	\$ 621,651	\$ -
Water and sewer penalties	27,593	12,615	14,978
Sewer revenues	800,403	-	800,403
Water and sewer taps	1,142	571	571
Sewer Operating Grant	21,921	-	21,921
Reconnect fees	10,400	5,200	5,200
Interest earned on water account	31,485	31,485	-
Interest earned on sewer treatment	9,511	-	9,511
Miscellaneous	2,867	1,434	1,433
Total selected revenues	<u>1,526,973</u>	<u>672,956</u>	<u>854,017</u>
 <u>Selected Expenses</u>			
Salaries	422,096	211,048	211,048
FICA tax expense	32,290	16,145	16,145
Employee benefits	79,389	39,695	39,694
Water repairs, materials & supplies	66,897	66,897	-
Sewer repairs, materials & supplies	92,557	-	92,557
Dues	470	470	-
Insurance	15,039	7,520	7,519
Professional fees	15,200	7,600	7,600
Bad debt expense	849	425	424
Miscellaneous expense	6,640	3,320	3,320
Water testing	19,517	19,517	-
Sewer testing	17,660	-	17,660
Office expense	15,295	7,648	7,647
Online Fees	1,504	752	752
Truck expense	5,948	2,974	2,974
Water truck fuel	15,759	7,880	7,879
Utilities-water	29,864	29,864	-
Utilities-sewer	61,815	-	61,815
Total selected expenses	<u>898,789</u>	<u>421,755</u>	<u>477,034</u>
 Excess Revenues	 <u>\$ 628,184</u>	 <u>\$ 251,201</u>	 <u>\$ 376,983</u>

Town of Amite City
 UTILITIES REVENUE BONDS - ADDITIONAL INFORMATION (continued)
 As of and for the Year Ended June 30, 2019

- b. Balance Sheet (Statement of Net Position) of the System - See page 11 of annual financial report.
- c. The Town complied with the provisions of the Bond Ordinance and Loan Agreement regarding the review and establishment of user fees to have a significant impact for FYE June 30, 2019.
- d. Insurance policies in force at June 30, 2019 **(UNAUDITED)**:

1) Insurer: Louisiana Municipal Risk Management Agency, expiring May 1, 2020,
 (has been renewed on May 1, 2019):

Policy Limit	Risk Covered
\$500,000	Automobile liability
\$500,000	Commercial general liability
\$500,000	Law Enforcement officer's comprehensive liability
\$500,000	Public officials' errors and omissions liability

2) Insurer: Louisiana Municipal Risk Management Agency, expiring January 1, 2020,
 (has been renewed on January 1, 2019)

Policy Limit	Risk Covered
Louisiana Statutes	Worker's Compensation

3) Insurer: Rod Prejean & Associates

Policy Limit	Risk Covered
\$839,885	Commercial auto & physical damage, expiring January 5, 2020
\$62,000	Commercial inland marine, expiring July 22, 2019 (has been renewed to July 22, 2020)

Town of Amite City
 UTILITIES REVENUE BONDS - ADDITIONAL INFORMATION (continued)
 As of and for the Year Ended June 30, 2019

4) Insurer:	Western Surety Company, expiring November 26, 2019	
Policy Limit		Risk Covered
\$1,000		Bond on city councilman
\$10,000		Bond each on four policemen
\$10,000		Bond on police chief
\$50,000		Bond on assistant clerk
\$25,000		Bond on clerk of court
\$15,000		Bond on clerk of court assistant
\$15,000		Bond on police clerk
\$100,000		Bond on purchasing agent
\$25,000		Bond on utility clerk
\$100,000		Bond on City Clerk
\$100,000		Bond on Mayor
\$100,000		Bond on Mayor Pro Tem
\$25,000		Bond on office clerk
\$15,000		Bond on Cemetery Custodian
\$100,000		Bond on Accountant
\$10,000		Police / Notary bonds on ten policemen. Bonds are for five years. All are current.
5) Insurer:	Schilling & Reid, expiring March 28, 2020	
Policy Limit		Risk Covered
\$3,175,000 Coinsurance of 90% - Deductible \$5,000 Windstorm / Hail Deductible \$5,000		Commercial Property Coverage
\$230,000 \$5,000 deductible		Business Personal Property

Town of Amite City
 UTILITIES REVENUE BONDS - ADDITIONAL INFORMATION (continued)
 As of and for the Year Ended June 30, 2019

6) Insurer:	Moore & Jenkins, expiring November 7, 2019
Policy Limit	Risk Covered
\$1,000,000 / \$3,000,000	Water and Sewer general liability
\$4,287,044	Water and Sewer system
\$1,000 deductible	(Sewer plant, water tanks, and pumps)
\$10,000	Water and Sewer crime coverage
\$1,000 deductible	

- e. There were 1,703 water users and 1,484 users of the sewerage system at June 30, 2019.
 There were 1,367 residential and 336 commercial water users at June 30, 2019.
 There were 1,184 residential and 300 commercial sewer users at June 30, 2019.

f. Analysis of Additions, Replacements, and Improvements to the Physical Properties of the System - See note 7 to the financial statements.

g. Analysis of Required Bank Accounts - See note 15 to the financial statements.

h. Schedule of monthly water and sewer rates:

Water Rates

Residential Rates:

METERED

Inside the corporate limits

1. For the first three thousand (3,000) gallons of water, the customer shall pay a minimum charge of \$12.00.
2. For any water in excess of 3,000 gallons, the customer shall pay a charge of \$2.00 per thousand gallons.
3. Churches inside the city limits shall be billed at the same rate as residential water customers.

Outside the corporate limits

1. For the first three thousand (3,000) gallons of water, the customer shall pay a minimum charge of \$24.00.
2. For any water in excess of 3,000 gallons, the customer shall pay a charge of \$4.00 per thousand gallons

Commercial Rates:

METERED

Inside the corporate limits

1. For the first three thousand (3,000) gallons of water, the customer shall pay a minimum charge of \$24.00.
2. For any water in excess of 3,000 gallons, the customer shall pay a charge of \$2.00 per thousand gallons.

Outside the corporate limits

1. For the first three thousand (3,000) gallons of water, the customer shall pay a minimum charge of \$48.00.
2. For any water in excess of 3,000 gallons, the customer shall pay a charge of \$4.00 per thousand gallons.
3. All bulk water customers shall pay a minimum of \$100, regardless of the amount of water purchased. For additional water above the \$100 minimum, or 16,000 gallons, customers shall pay a charge of \$4.00 per thousand gallons.

FLAT RATE

1. The minimum monthly rate for commercial customers billed at a flat rate of charge shall be twenty-four dollars (\$24.00).

Sewer Rates

Residential Rates:

METERED

Inside and outside the corporate limits

1. For the first three thousand (3,000) gallons of water, the customer shall pay a minimum charge of \$19.00 per month.
2. For any water in excess of 3,000 gallons, the customer shall pay a charge of \$3.00 per thousand gallons.

Commercial Rates:

METERED

Inside the corporate limits

1. For the first three thousand (3,000) gallons of water, the customer shall pay a minimum charge of \$38.00 per month.
2. For any water in excess of 3,000 gallons, the customer shall pay a charge of \$3.00 per thousand gallons.

Town of Amite City
UTILITIES REVENUE BONDS - ADDITIONAL INFORMATION (concluded)
As of and for the Year Ended June 30, 2019

Outside the corporate limits

1. For the first three thousand (3,000) gallons of water, the customer shall pay a minimum charge of \$76.00.
2. For any water in excess of 3,000 gallons, the customer shall pay a charge of \$6.00 per thousand gallons.

FLAT RATE

Inside the corporate limits

1. The minimum monthly rate for commercial customers billed at a flat rate of charge shall be thirty-eight dollars (\$38.00).
2. Lift station cleaning \$500.00.

Sewer service charges for commercial service outside the corporate limits of Town shall pay an amount equal to two times the amount charged for comparable business located inside the corporate limits.

**OTHER INDEPENDENT AUDITOR'S REPORTS
AND FINDINGS**



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

The Honorable Mayor Milton Bel and
Members of the Town Council
Town of Amite City
Amite, Louisiana

I have audited, 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, the financial statements of the governmental activities, the business-type activity, each major fund, and the fiduciary funds of the Town of Amite City, Louisiana, (Town) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements; and have issued my report thereon dated December 23, 2019.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of current year findings, I identified certain deficiencies in internal control that I consider to be a material weakness.

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. I consider findings 2019-01, 2019-03, and 2019-08 described in the accompanying schedule of current year findings to be a material weakness.

Town of Amite City
Independent Auditor's Report on Internal Control and on
Compliance and Other Matters - Concluded

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. I consider finding 2019-02 described in the accompanying schedule of the current year findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2019-04, 2019-05, 2019-06, and 2019-07.

The Town's Response to the Findings

The Town's responses to the findings identified in my audit are described in the accompanying Management's Corrective Action Plan. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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 control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the governing council, management, the Legislative Auditor, the Louisiana Department of Environmental Quality, and the United States Department of Agriculture - Rural Development and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


Certified Public Accountant

December 23, 2019

Town of Amite City

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2019

SECTION 1. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
2018- 01 Lack of Internal Controls (Repeated from Prior Year)	Unresolved. See current year finding 2019-01
2018-02 Compliance with R.S. 43:141 - Official Journal	Resolved
2018-03 Local Government Budget Act Violations (Repeated from Prior Year)	Unresolved. See current year finding 2019-04
2018-04 Public Bid Law Violation (Repeated from Prior Year)	Unresolved. See current year finding 2019-05
SECTION 2. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
NONE	
SECTION 3. MANAGEMENT LETTER	
NONE	

SECTION II - FINANCIAL STATEMENT FINDINGS

This section is used to identify the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements required to be reported under *Government Auditing Standards*.

2019-01 Lack of Internal Controls

An effective design or operation of an internal control would allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

The Town had the following internal control issues:

1. **Repeated from Prior Year** -A review of the general ledger is not being performed. There were numerous coding errors identified during the audit. As a result of not reviewing the general ledger, the Town did not transfer \$113,264 from the Waterworks and Sewer Fund to the General Fund for employee benefits paid by the General Fund for the prior fiscal year until the auditor notified management. In addition, the Town paid the first installment of the insurance policy of \$39,955 twice in the same month. This was not detected by the Town Clerk. The insurance company was not overpaid, only because the auditor informed management not to make the next scheduled payment.

It is recommended that the Town Clerk each month perform a detailed review of the general ledger after all reconciliations have been performed, make any adjustments that are necessary, and verify that all required transfers have been made.

2019-02 Lack of Internal Control over Bid Items

An effective design or operation of an internal control would allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

During the fiscal year, the Town purchased bulk fuel in the amount of \$ 44,484. The Town advertised for bids in accordance with Louisiana R.S. 38:2212.1 and awarded the contract to the only bidder. The bid was structured as a fixed fee in addition to Marathon Rack Price. No one at city hall is verifying that the Town is being charged in accordance with bid price.

It is recommended that the Mayor assign someone to oversee the payment of bulk fuel invoices to verify that the bid price is being charged.

2019-03 Lack of Internal Control over Cemetery Receipts

An effective design or operation of an internal control would allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

In addition, management is responsible for design and implementation of programs and controls to prevent and detect fraud.

The Town uses a two part receipt to record the bill of sale for cemetery lots and interment fees. One copy is for the customer and the other is for the Town. In previous years, the Town's copy remained in the bill of sale receipt book. The same person that fills out the bill of sale is the same person that fills in the payment

receipt book. Cash and checks are collected in the back office. The payment receipt book along with the payment is delivered to the front office for the girls to prepare the deposit for the day. There was no way for the auditor to trace the payments received to the bill of sale for the period under audit; because all copies of the bill of sales had been torn from the receipt book and filed in the various cemeteries book in alphabetical order.

It is recommended that all payments for cemetery fees be made at the front window where all the Town collections are received. It is also recommended that the Town use a three part numbered receipt book for the bills of sale. One part should be provided to customer, another filed in each cemetery book, and the third should be left in the book in date order.

2019-04 Repeated from Prior Year- Local Government Budget Act Violations

Louisiana Revised Statute 39:1311 requires a political subdivision to amend its operating budget when:

- a) Total revenues and other sources fail to meet total budgeted revenues and other sources by five (5) percent or more.

The following individual fund had actual revenues and other sources that failed to meet budgeted amounts for the year ended June 30, 2019:

<u>Fund</u>	Budget	Actual	Unfavorable Variance	Percent
Revenues:				
Capital Improvement Fund	\$225	\$198	\$27	12.0%

The Town failed to amend the budget for the Capital Improvements by an adequate amount for the fiscal year ended June 30, 2019.

It is recommended that the Town monitor its financial statements at least quarterly and amend the budget as needed.

2019-05 Repeated from Prior Year- Public Bid Law Violation

1. Louisiana R.S. 38:2212.1 requires that all purchases of materials and supplies of \$10,000 or more, but less than \$30,000 shall be made by obtaining not less than three telephone or facsimile quotations.

On September 14, 2018, the Town purchased supplies for the street Christmas lights in the amount of \$17,500. The Town failed to receive 3 quotes.

It is recommended that the Mayor consult with the Assistant to the Mayor, who is also the purchasing agent, before authorizing any projects to ensure compliance with all laws.

2019-06 Issuance of Debt without Proper Authorization

Louisiana R.S. 33:406 requires that Any act of the board which would provide for the appropriation of funds, the incurrence of debt, or the issuance of bonds or other evidences of indebtedness shall be by ordinance.

On March 11, 2019, the Town Council adopted Resolution 3-2019 regarding a 4 year lease purchase agreement for the purpose of financing 5 police vehicles. Per the escrow agreement signed by the Mayor on March 13, 2019, the lessor (Municipal Asset Management) deposited \$157,800 into the escrow agent UMB Bank) for the benefit of the Town. In essence, this transaction was for a loan. The lease vehicles were delivered after the fiscal year end.

The Town incurred debt on March 13, 2019, without the council passing an ordinance as required by Louisiana R.S. 33:406.

It is recommended that the Town adhere to state law when incurring any debt.

2019-07 Compliance with Louisiana Revised Statute 38:2241 – Written Contract and Bond

Per Louisiana Revised Statute 38:2241 for each contract in excess of twenty five thousand dollars per project, the public entity shall require of the contractor a bond with good, solvent, and sufficient surety in a sum of not less than fifty percent of the contract price for the payment by the contractor or subcontractor to claimants as defined in R.S. 38:2242. The bond furnished shall be a statutory bond and no modification, omissions, additions in or to the terms of the contract, in the plans or specifications, or in the manner and mode of payment shall in any manner diminish, enlarge, or otherwise modify the obligations of the bond. The bond shall be executed by the contractor with surety or sureties approved by the public entity and shall be recorded with the contract in the office of the recorder of mortgages in the parish where the work is to be done not later than thirty days after the work has begun.

On April 10, 2019, the Town entered into a contract with Ronald Morse Construction, Inc. for \$46,500 and on January 29, 2019, entered into a contract with RWB Contracting LLC for \$32,200. Both contracts are for public works projects.

There is no record of a bond for Ronald Morse Construction, Inc. or RWB Contracting LLC.

None of the contracts were recorded with the office of the recorder of mortgages in the Tangipahoa Parish.

It is recommended that all public works projects go through the purchasing agent to ensure compliance with all state laws.

2019-08 Lack of Internal Control over Fuel Purchases- Water and Street departments

An effective design or operation of internal control would allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud.

Audit procedures revealed an employee of the water department was potentially stealing fuel.

For the water and street departments, the Town purchases fuel at a local gas station. The local gas station allows the Town to charge the fuel purchased and submits a billing statement at the end of the month to the Town for payment. Employees are required to sign the charge ticket/invoice and write the unit number of the vehicle receiving the fuel. The local gas station retains a copy of the charge ticket and the employee is given a copy. The employee takes the ticket/invoice back to the barn where it is hung on a nail. At the end of the month, the supervisor takes all the tickets/invoices to City Hall.

Once the billing statement is received from the gas station, the Assistant Clerk matches all the tickets/invoices which she received from the barn to the billing statement. The billing statement is only submitted for payment once all tickets/invoices are accounted for. The issue is that the employees at City Hall do not have the list of assigned vehicles or a list of vehicles that are out of service to determine if the charges are appropriate. Employees of the water and street departments are assigned vehicles by the supervisor(s).

Audit tests revealed that the employee was purchasing fuel on the Town's account, signing the tickets, and providing a unit number for a vehicle that he was not assigned or a vehicle that was out of service.

For the period July 1, 2018, thru June 30, 2019, it appears that the supervisor at the time was not reviewing the fuel tickets at the barn to insure that purchases were for authorized use only.

The employee in question was promoted to supervisor as of July 1, 2019. On December 12, 2019, the Town terminated this individual. On December 23, 2019, the Town notified the Louisiana Legislative Auditor, the District Attorney, and the Tangipahoa Parish Sheriff.

It is recommended that Town implement a new policy regarding the purchase of fuel and the monitoring of those purchases.

SECTION III - FEDERAL FINANCIAL ASSISTANCE

NONE

Town of Amite City

MANAGEMENT'S CORRECTIVE ACTION PLAN
For Current Year Audit Findings for the Year Ended June 30, 2019

SECTION 1. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
Finding Reference No.	Management's Corrective Action Plan
2019- 01 Lack of Internal Controls (Repeated from Prior Year)	Mayor concurs with auditor's recommendations.
2019-02 Lack of Internal Control over Bid Items	Mayor concurs with auditor's recommendation.
2019-03 Lack of Internal Control over Cemetery Receipts	Mayor concurs with auditor's recommendation.
2019-04 Local Government Budget Act Violations (Repeated from Prior Year)	Mayor concurs with auditor's recommendation.
2019-05 Public Bid Law Violation (Repeated from Prior Year)	Mayor concurs with auditor's recommendation.
2019-06 Issuance of Debt without Proper Authorization	Mayor concurs with auditor's recommendation. The Town Council relied on the Town's attorney legal advice regarding adopting a Resolution versus an Ordinance.
2019-07 Compliance with Louisianan Revised Statute 38:2241 – Written Contract and Bond	Mayor concurs with auditor's recommendation.
2019-08 Lack of Internal Control over Fuel Purchases – Water and Street departments.	Mayor concurs with auditor's recommendation.

Date Submitted: Melan & Bel Auditee: 12/23/19



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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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To the Honorable Mayor Milton Bel,
Members of the Town Council,
and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Town of Amite City (Town) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018, through June 30, 2019. The Town's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the Town and the LLA. Consequently, I 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.

My procedures and findings are detailed in Schedule "A".

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards contained in Government Auditing Standards issued by the Comptroller General of the United States. I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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 provide an opinion on control or compliance. This report is intended solely for the information and use by the Town and LLA and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.


Certified Public Accountant

December 23, 2019

Written Policies and Procedures

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

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

No exception in year 1; not tested in year 2 or year 3

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.

Observed that the Town's written purchasing policy included all the items above.

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

No exception in year 1; not tested in year 2 or year 3

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

Observed that the Town's written receipts/collections policy addressed receiving, recording, and preparing deposits along with procedures to ensure completeness.

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

No exception in year 1; not tested in year 2 or year 3

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

No exception in year 2; not tested in year 3

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

Observed that the Town's written policy for credit cards include all the above items.

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

No exception in year 1; not tested in year 2 or year 3

- 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.

Observed that the Town's written policy for ethics included all the above items.

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

No exception in year 2; not tested in year 3

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

The Town did not have a Disaster Recovery/Business Continuity policy.

Board or Finance Committee

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

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

Observed that for the twelve month period from July 1, 2018, thru June 30, 2019, the Town council met with a quorum for all twelve regular monthly meetings.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Observed for the period July 1, 2018, thru January 31, 2019, the Council was not presented with monthly budget-to-actual financial statements. The Council was presented with a treasurer's report which reports bank balances with current month deposits and disbursements. The Council was also presented with the past due balance for the utility fund's receivables.

Observed for the period February 1, 2019, thru June 30, 2019, the Council was presented with monthly budget-to-actual financial statements for the General Fund and all special revenue funds along with a listing of all cash disbursements for the month. The Council was also presented with the past due balance for the utility fund's receivables.

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

Not Applicable-General Fund had a positive fund balance in the prior year.

Bank Reconciliations

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

A listing of the client's bank accounts was obtained from the Town Clerk, and management's representation that the listing was complete. The Town's main account is the General Fund Operating Account. Four additional accounts were randomly selected for testing. February 2019 was randomly selected for testing.

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

All bank reconciliations selected for testing were performed within 2 months of the statement being received.

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

Bank reconciliations had evidence that the Mayor reviewed and signed off on each reconciliation. He does not handle cash, post ledgers or issue checks.

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

One of the five reconciliations tested had no evidence that the old outstanding items (more than twelve months old) were being researched.

The remaining four reconciliations did not have outstanding items over 12 months old.

Collections (excluding EFTs)

Items 4 thru 7 had no exceptions in year 2; therefore not tested in year 3

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

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

Obtained the listing of locations that process payments and managements representation that the listing was complete.

The Town only has one location that processes payments-City Hall.

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

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

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

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

There are at least two people involved in processing and approving payments to vendors.

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

The person responsible for processing payments is also the person who adds and modifies vendors. However, this person can not sign checks. All payments require two signatures which are normally the Mayor and Town Clerk.

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

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

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

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

All disbursements matched the related original invoice/billing statement.

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

Observed that the disbursement documentation included evidence of segregation of duties.

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

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

Obtained listing of all active credit cards and fuel cards for the fiscal period and managements representation that the listing was complete. The fuel cards are used by the police department.

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

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

Observed that all monthly statements selected for testing were reviewed and approved in writing by someone other than the authorized card holder.

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

Observed there were no finance charges or late fees present on the invoices selected for testing.

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

Excluding fuel cards, there was only one other card chosen, which was a Dollar General charge card.

The monthly statement tested had the original receipts attached. The public purpose was evident by the item that was purchased. No meals were purchased with this card.

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

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

A vendor activity report for the General Fund, Waterworks and Sewer Fund, Sales Tax Fund, and Arts Council Fund was obtained from the Town's accounting software for FYE 6/30/19. This report was signed off by the Mayor as being complete.

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

Only two of the five reimbursements used per diem. It was observed that the Town paid the correct per diem for a mileage reimbursement.

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

Three of the five reimbursements selected used actual costs. It was observed that the items selected for testing had original receipts supporting precisely what was purchased.

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

Two of the five items selected for testing were for mileage reimbursement. The required form was used as required by the Town's written policies and procedures.

One of the items reimbursed was for a fuel reimbursement by an employee of the police department. The original receipt was submitted along with the Chief of Police's initials. The public purpose was not documented on the receipt.

One of the items selected was a reimbursement for an employee to attend a water certification class. Part of the reimbursement was for a meal. The original receipt was turned in; however the employee did not sign the receipt for the meal.

The last travel expense tested was for the Chief of Police to attend a conference. The expenses were charged on the police department credit card. All travel expenses were supported by documentation for the business purpose and those having a meal were evident.

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

The two mileage reimbursements were signed off by the Mayor; however the Mayor was one of the invoices selected. It should be noted that the Accounting Clerk proofed the Mayor's request for clerical accuracy.

The Chief of Police approved the fuel reimbursement to the police officer.

The reimbursement for the meal was approved by the purchasing agent and the Town Clerk.

The travel expenses that were charged to the credit card for the Chief of Police were reviewed by someone else for completion. Since the Chief is elected, he is the one to approve the payment. The Mayor and Town Clerk both signed the check to the vendor.

Contracts

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

A vendor activity report for the General Fund, and Waterworks and Sewer Fund, Sales Tax Fund, and the Arts Council Fund was obtained from the Town's accounting software for FYE 6/30/19. This report was signed off by the Town Clerk as being complete.

Five vendors were selected from those reports.

Four of the five vendors selected had a contract.

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

Two of the five vendors selected were required to follow the Louisiana Public Bid Law.

One of the two vendors was awarded the contract in accordance with LA Public Bid Law.

See current year finding 2019-05 for the other contract not let in accordance with LA Public Bid Law.

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

Observed that only one of the two contracts subject to LA Public Bid Law was approved by the governing authority. The other contract subject to LA Public Bid law did not require approval from the governing authority. Two contracts did not require approval from the governing authority. The fifth vendor was approved by the governing authority to act as the Town attorney for a period of four years. This was noted in the minutes. There was no contract on file at City Hall.

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

There were no amendments to original terms of the items selected for testing.

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

For one of items subject to LA Public Bid law, see current year audit finding 2019-02.

For the invoice for the City Attorney, it was observed that there was an invoice for the services performed. However, I could not agree the hourly rate because there was not a contract available to examine.

For the remaining three items selected for testing, the payment agreed with the contract.

Payroll and Personnel

Items 16 thru 19 had no exceptions in year 2; therefore not tested in year 3.

Ethics

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

Procedures were not required for Step #16 above. The random sample of 5 employees/officials were pulled from the 2nd Qtr 2019 SUTA payroll report.

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

Observed that all 5 employees/officials selected had documentation demonstrating the completion of one hour of ethics training during the fiscal period.

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

Documentation demonstrates that each employee attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

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

Obtained representation from management that a new loan/lease was obtained during the fiscal year ending June 30, 2019. State Bond Commission approval was not required. However, see current year finding 2019-06 regarding compliance with Louisiana R.S. 33:406.

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

Obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing was complete.

The one bond selected for testing was in compliance with all bond covenants.

Other

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

Management provided a statement that they were not aware of any misappropriations of public funds during the fiscal year.

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

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

Town of Amite City

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Council

Kris Hart

District 1

Jonathon Foster

District 2

Emanuel Zanders III

District 3

Neil Currier

District 4

Rose Sumrall

District 5

Milton "Buddy" Bel, Mayor

December 27, 2019

Jerry Trabona
Chief of Police

Mary Lou Lee
City Clerk

Dear Ms. Gray:

Responses to the Louisiana Legislative Auditors State-Wide Agreed Upon Procedures for the Fiscal Year ended June 30, 2019:

Item 1(k) - The Town will adopt a Disaster Recovery/Business Continuity Policy.

Item 2(b) – the Council will be presented monthly budget-to-actual financial statements for the General Fund and all special revenue funds along with a listing of all cash disbursements for the month.

Item 3(c) - Management will research all unreconciled outstanding items over 12 months old.

Item 9(c) – The employee responsible for processing payments will no longer be the same person who adds and modifies vendors.

Item 14(c) – The public purpose will be documented on every employee's fuel reimbursement. The names of those attending and the public purpose for every employee's meal reimbursement will be stated on the receipt.

Item 15(a) – All contracts will be bid in accordance with the Louisiana Public Bid Law.

Item 15(b) – The Town will execute and maintain all contracts at City Hall.

Item 15(d) – All invoices for payment under a contract, management will verify the invoice and payment agree with the terms and conditions of the contract.

Respectively Submitted,



Milton "Buddy" Bel
Mayor