

TOWN OF BRUSLY
BRUSLY, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

**TOWN OF BRUSLY
BRUSLY, LOUISIANA
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JUNE 30, 2018**

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Town of Brusly
Brusly, Louisiana

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Brusly as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Brusly as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the other required supplementary information on pages 47 and 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, on our consideration of the Town of Brusly's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Brusly's internal control over financial reporting and compliance.

Baxley & Associates, LLC

Plaquemine, Louisiana

November 21, 2018

BASIC FINANCIAL STATEMENTS

TOWN OF BRUSLY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,585,107	\$ 22,662	\$ 2,607,769
Restricted Cash	-	70,526	70,526
Investments	427,772	-	427,772
Taxes Receivable	163,493	-	163,493
Accounts Receivable	20,993	44,874	65,867
Prepaid Expenses	15,423	-	15,423
Internal Balances	140,104	(140,104)	-
Capital Assets (net of accumulated depreciation):			-
Land	219,001	-	219,001
Construction in progress	-	-	-
Buildings	3,206,588	-	3,206,588
Improvements (other than buildings)	-	1,145,058	1,145,058
Infrastructure	1,400,439	-	1,400,439
Equipment	424,592	104,926	529,518
Furniture and fixtures	-	-	-
Utility plant and equipment	-	-	-
Right of way	-	-	-
Intangible Assets, Net of Accumulated Amortization	12,457	-	12,457
TOTAL ASSETS	8,615,969	1,247,942	9,863,911
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	738,308	-	738,308
OPEB	17,450	-	17,450
LIABILITIES			
Accounts Payable	19,613	-	19,613
Payroll Benefits	2,901	-	2,901
Accrued Wages	21,150	-	21,150
Capital Lease Payable - Current	1,424	-	1,424
Bonds Payable	-	30,000	30,000
Accrued Interest Payable	-	4,989	4,989
Compensated Absences	14,158	-	14,158
Non-current liabilities:			-
Bonds Payable	-	625,000	625,000
Bonds Discount	-	(7,248)	(7,248)
Compensated Absences	10,386	-	10,386
Net OPEB Obligation	251,347	-	251,347
Net Pension Liability	1,802,397	-	1,802,397
TOTAL LIABILITIES	2,123,376	652,741	2,776,117
DEFERRED INFLOWS OF RESOURCES			
Pension Related	67,731	-	67,731
OPEB	6,548	-	6,548
NET POSITION			
Net Investment in Capital Assets	5,250,620	602,232	5,852,852
Restricted for Bonds		40,526	40,526
Unrestricted	1,923,452	(47,557)	1,875,895
TOTAL NET POSITION	\$ 7,174,072	\$ 595,201	\$ 7,769,273

The accompanying notes are an integral part of this statement.

**TOWN OF BRUSLY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Revenues			Governmental Activities	Business-type Activities	Total
	Expenses	Charges for Services	Operating Grants and Contributions			
Primary government:						
Governmental activities:						
General Government	\$ 1,330,517	\$ 108,317	\$ 88,370	\$ -	\$ -	\$ (1,133,830)
Public Safety	938,435	610,907	-	-	-	(327,528)
Maintenance	328,299	-	-	-	-	(328,299)
Highway and Streets	174,401	-	-	-	-	(174,401)
Total governmental activities	<u>2,771,652</u>	<u>719,224</u>	<u>88,370</u>	<u>-</u>	<u>-</u>	<u>(1,964,058)</u>
Business-type activities:						
Sewer	364,138	291,009	-	-	(73,129)	(73,129)
Total business-type activities	<u>364,138</u>	<u>291,009</u>	<u>-</u>	<u>-</u>	<u>(73,129)</u>	<u>(73,129)</u>
Total primary government	<u>3,135,790</u>	<u>1,010,233</u>	<u>88,370</u>	<u>-</u>	<u>(1,964,058)</u>	<u>(2,037,187)</u>
General revenues:						
				1,738,874	-	1,738,874
				144,452	-	144,452
				1,725	-	1,725
				19,171	481	19,652
				(1,297)	-	(1,297)
				-	-	-
				56,289	-	56,289
				75,260	-	75,260
				<u>2,034,474</u>	<u>481</u>	<u>2,034,955</u>
				70,416	(72,648)	(2,232)
				7,330,404	667,850	7,998,254
				(226,748)	-	(226,748)
				<u>7,103,656</u>	<u>667,850</u>	<u>7,771,506</u>
				<u>\$ 7,174,072</u>	<u>\$ 595,202</u>	<u>\$ 7,769,274</u>

The accompanying notes are an integral part of this statement.

**TOWN OF BRUSLY
COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

ASSETS

Cash and Cash Equivalents	\$ 2,585,107
Investments	427,772
Prepaid Expenses	15,423
Receivables	
Taxes Receivable	163,493
Accounts Receivable	20,993
Internal Balances	140,104

TOTAL ASSETS

\$ 3,352,892

LIABILITIES AND FUND BALANCES**Liabilities:**

Accounts Payable	\$ 19,613
Payroll Benefits	2,901
Accrued Payroll	21,150
Compensated Absences	14,158
Total Liabilities	<u>57,822</u>

Fund Balance:

Unspendable	15,423
Unassigned	3,279,647
Total Fund Balance	<u>3,295,070</u>

TOTAL LIABILITIES AND FUND BALANCE

\$ 3,352,892

The accompanying notes are an integral part of this statement.

TOWN OF BRUSLY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET
POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total Governmental Funds	\$ 3,295,070
Amounts reported for governmental activities in the statement of activities are different because:	
The deferred outflows of contributions for the retirement system are not available resources, and therefore, are not reported in the funds.	755,758
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.	5,250,620
Intangible assets used in governmental activities are not financial resources, therefore, are not reported in the funds.	12,457
The deferred inflows of contributions for the retirement system are not payable from current expendable resources and, therefore, are not reported in the funds.	(74,279)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds:	
Net OPEB Obligation	(251,347)
Capital Lease Payable	(1,424)
Compensated Absences	(10,386)
Net Pension Liability	<u>(1,802,397)</u>
Net Position of Governmental Activities	<u>\$ 7,174,072</u>

The accompanying notes are an integral part of this statement.

TOWN OF BRUSLY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

Revenues	
Taxes	\$ 1,885,051
Intergovernmental revenues	88,370
Licenses and permits	108,317
Fines	610,907
Investment income	19,171
Miscellaneous income	75,260
Loss on investments	(1,297)
TOTAL REVENUES	<u>2,785,779</u>
EXPENDITURES	
General Government	1,092,207
Public Safety	827,549
Maintenance	285,520
Highway and Streets	64,006
Debt Service -	
Principal Retirement	1,202
Interest and Fiscal Charges	359
Capital Outlay	264,167
TOTAL EXPENDITURES	<u>2,535,010</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	250,769
OTHER FINANCING SOURCES (USES)	
Proceeds from debt	-
Operating transfers in	-
Operating transfers out	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	250,769
FUND BALANCE (DEFICIT), Beginning	<u>3,044,301</u>
FUND BALANCE (DEFICIT), Ending	<u><u>\$ 3,295,070</u></u>

The accompanying notes are an integral part of this statement.

TOWN OF BRUSLY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds		\$ 250,769
<p>Amounts reported for governmental activities in the statement of activities (page 6) are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.</p>		
Capital Outlay	264,167	
Depreciation Expense	(303,587)	(39,420)
<p>Governmental funds report purchases of intangible assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as amortization expense. This is the amount by which intangible purchases exceeded amortization expense in the current period.</p>		
Amortization Expense	9,772	9,772
<p>Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.</p>		
		(2,602)
<p>Repayment of a capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		1,202
<p>In the Statement of Activities, only the gain (loss) on disposal of assets is reported, whereas the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the difference.</p>		
		-
<p>Non-employer contributions to cost-sharing pension plan and OPEB</p>		
		56,289
<p>Pension expense and OPEB expense not requiring the use of current economic resources and, therefore, not recorded as a fund expenditure.</p>		
		(205,594)
Change in net position of governmental activities (page 6)		\$ 70,416

The accompanying notes are an integral part of this statement.

**TOWN OF BRUSLY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018**

	SEWER
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 22,662
Accounts Receivable	44,874
Restricted Assets:	
Bond Accounts	70,526
Total Current Assets	138,062
Non-Current Assets:	
Capital Assets, Net of Accumulated Depreciation	1,249,984
TOTAL ASSETS	\$ 1,388,046
LIABILITIES AND NET POSITION	
LIABILITIES	
Current Liabilities:	
Bond Payable	\$ 30,000
Interest Payable	4,989
Internal Balances	140,104
Total Current Liabilities	175,093
Non-Current Liabilities:	
Bond Payable	625,000
Bond Discount	(7,248)
Total Non-Current Liabilities	617,752
TOTAL LIABILITIES	792,845
NET POSITION	
Investments in Capital Assets	602,232
Unrestricted	40,526
	(47,557)
TOTAL NET POSITION	\$ 595,201

The accompanying notes are an integral part of this statement.

TOWN OF BRUSLY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	SEWER
OPERATING REVENUES	
Charges for services	\$ 291,009
TOTAL OPERATING REVENUES	291,009
OPERATING EXPENSES	
Personal Services and Benefits	93,654
Repairs and Maintenance	88,789
Sewer Telemetry	15,000
Insurance	3,319
Depreciation	140,807
TOTAL OPERATING EXPENSES	341,569
OPERATING INCOME (LOSS)	(50,560)
NONOPERATING REVENUES (EXPENSES)	
Interest on Investments	\$ 481
Grants	-
Interest Expense	(22,570)
TOTAL NONOPERATING REVENUES (EXPENSES)	(22,089)
CHANGE IN NET POSITION	(72,649)
NET POSITION - Beginning	667,850
NET POSITION - Ending	\$ 595,201

The accompanying notes are an integral part of this statement.

**TOWN OF BRUSLY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2018**

	SEWER
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 294,778
Payments to suppliers	(107,107)
Payments to employees	(93,654)
Decrease in due to other funds	(41,611)
Net cash provided (used) by operating activities	52,406
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(30,000)
Interest paid on capital debt	(20,557)
Net cash provided (used) by capital and related financing activities	(50,557)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	481
Net cash provided (used) by investing activities	481
Net increase (decrease) in cash and cash equivalents	2,330
Balances - beginning of year	90,858
Balances - end of the year	\$ 93,188
SUMMARY OF CASH AND CASH EQUIVALENTS	
Unrestricted cash and cash equivalents	22,662
Restricted cash and cash equivalents	70,526
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 93,188
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (50,559)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	140,807
Changes in assets and liabilities:	
Decrease in accounts receivable	3,769
Decrease in due from other funds	(41,611)
Net cash provided by operating activities	\$ 52,406

The accompanying notes are an integral part of this statement.

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The Town of Brusly, Louisiana (the Town) was incorporated in 1901 under provisions of the Title 33, Chapter 2, Part I, of the Louisiana Revised Statutes (Lawrason Act—Act No. 36 of 1898). The Town operates under a Mayor-Board form of government and as permitted under the Act, provides: police protection, streets and sidewalks, health and sanitation, public improvements, recreation, sponsorship of federal programs, and sewer utilities. The Mayor and five board members are elected at large to serve four-year terms from January 1, 2017 to December 31, 2020. Effective January 1, 2017, the Mayor is entitled to a salary of \$4,167 per month, the Mayor pro-term \$650 per month, and each Council Member \$600 per month, plus \$50 for each special meeting in which a vote is taken. The Town of Brusly, Louisiana is located in West Baton Rouge Parish, Louisiana, with a geographic area of approximately two square miles. The estimated population is about 2,833 based on the United States census. The Town employees approximately twenty-five persons, serves 995 sewer customers, and maintains six miles of street.

FASB ASC Section 2100 – Defining the Financial Reporting Entity (GASB Statement No. 14), established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. AS used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Town has oversight of other component units that are, either, blended into the municipality's basic financial statements or discretely presented in a separate column in the government-wide financial statements.

1. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the Town of Brusly. 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 is 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.

TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

All individual governmental funds are reported as separate columns in the fund financial statements.

2. 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 statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

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

Property taxes, 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 governmental fund:

General Fund – the government’s primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

Additionally, the Town reports the following fund types:

Enterprise Funds – accounts for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Town’s enterprise fund consists of activities of the sewer facility operations.

TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

The Town reports the following major enterprise fund:

The sewer facility fund accounts for the activities of the sewer facility throughout the Town.

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) 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 sewer fees.

Operating expenses for enterprise funds 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.

3. Deposits and Investments

Under State law, the Town may invest in United States bonds, treasury notes or certificates, time certificates of deposit of State banks having their principal office in the State of Louisiana, or any other *federally insured investment*. In accordance with FASB ASC 820, "*Fair Value Measurement and Disclosures*", investments meeting the criteria specified in the Statement are stated at fair value. Investments that do not meet the requirements are stated at cost. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a non-profit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. At June 30, 2018, the Town's investments in LAMP, which are stated at fair value based on quoted market rates, amounted to \$27,096.

Fair Value Measurements

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Application and Measurement*, all investments are reported at fair value with gains and losses included in the statement of revenue and expenses.

TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

Level 2 – Inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and significant to the fair value measurement.

4. Receivables and Payables

Receivables consist of all revenues earned at year-end and not yet received.

The Town receives approximately ten (10) percent of the parish sales taxes collected in West Baton Rouge Parish and ten (10) percent of the District sales taxes for general government.

Payables consist of all expenses incurred at year-end and not yet paid.

5. Inventories and Prepaid Items

All immaterial inventories of the governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets), are reported in the applicable governmental activities' columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available. Donated

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town of Brusly maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	40 years
Equipment	5-10 years
Vehicles	5-10 years
Infrastructure	20-50 years

7. Compensated Absences

The Town of Brusly's recognition and measurement criteria for compensated absences follows:

FASB ASC C60 – Compensated Absences (GASB Statement No. 16) provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met.

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

FASB ASC C60 – Compensated Absences (GASB Statement No. 16) provides that a liability for sick leave should be accrued using one of the following termination approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

The entire compensated absences liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences" in the fund from which the employee who have accumulated leave are paid. The non-current portion of the liability is not reported in the governmental funds.

8. 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

For purposes of measuring OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position is based on actuarially determined obligations under GASB 75 (See Adoption of New Accounting Principles).

9. Net Position in the Government-Wide Financial Statements

In the government-wide statement of net position, the net position amount is classified and displayed in three components.

1. Net investment in capital assets – This component consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets.
2. Restricted net position – This component consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – This component consists of all other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

When both restricted and unrestricted resources are available for use in a specific program or for a specific purpose, the Town's usual policy is to use restricted resources first to finance its activities.

10. Fund Equity – Fund Financial Statements

Governmental fund equity is classified as fund balance. Beginning with FYE 2011, the Town implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions (FASB ASC 1300 and 1800). 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 purpose for which resources can be used:

- a. Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Management classifies prepaid expenditures as being non-spendable as this item is not expected to be converted to cash.
- b. Restricted: This classification includes amounts for which constraints have been placed on the use of resources are either:
 - a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws of regulations of other governments; or
 - b. Imposed by law through constitutional provisions or enabling legislation.
- c. Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Town's board of aldermen, which is the Town's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the board of aldermen 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 did not have any committed resources as of year-end.
- d. Assigned: This classification includes spendable amounts that are reported in governmental funds other than the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by either the Town's board of aldermen, or a subordinate high-level body, such as finance committee, or an official, such as the Mayor, that has the authority to assign amounts to be used for specific purposes. The Town's management has not assigned any amounts at year-end.

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

e. 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 for specific purposes within the General Fund.

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

11. Deferred Outflows of Resources and Deferred Inflows of Resources

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

12. Pension Plans

The Town of Brusly is a participating employer in multiple cost-sharing, multiple employer defined benefit pension plans as described in Note I. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions for the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within the plan.

13. OPEB Plan

The Town of Brusly's defined benefit postemployment health care plan provides OPEB to eligible retired employees. The plan provides OPEB for employees with at least twenty (20) years of full time consecutive service, must be at least 55 years old, and must have been on the Town's health insurance for at least the last ten consecutive years prior to retirement. The Town's OPEB plan is a single employer defined benefit OPEB plan administered by the Town. Benefits are provided through Blue Cross Blue Shield of Louisiana. No assets are accumulated in a trust that meets the criteria in GASB Codification P52 *Postemployment Benefits Other Than Pensions-Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria-Defined Benefit*. The premium rates are established and may be amended by Blue Cross Blue Shield of Louisiana, with the Town determining the contribution requirements of the retirees.

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE B: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION

The Town uses the following budget practices:

1. The budgetary calendar—The public hearing on the budget announcement is published in the official journal in May. In June, a public hearing on the budget is held and after any discussion the budget is adopted.
2. Appropriations (unexpended budget balances) lapse at year-end.
3. There are no outstanding encumbrances.
4. The GAAP basis is used in preparing and reporting the budgets and those funds not budgeted.
5. The Board of Aldermen will meet as needed to make changes or amendments within the various budget classifications.

NOTE C: CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

At June 30, 2018, the Town of Brusly has cash and cash equivalents (book balances) totaling \$2,678,295 as follows:

	General	Sewer
Demand Deposits	\$ 482,728	\$ -
Interest-Bearing Demand Deposits	2,101,729	93,188
Money Market Accounts	-	-
Petty Cash	650	-
Total	\$ 2,585,107	\$ 93,188

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.

At June 30, 2018, the Town has \$3,147,393 in deposits (bank balances). These deposits are secured from risk by federal deposit insurance and \$2,355,561 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE D: INVESTMENTS

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Town or its agent in the Town's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name

At fiscal year-end, the Town's investment balances were as follows:

Type of Investment	Category 1	Fair Value	Cost	Total Carrying Amount
Certificates of Deposit	\$ 400,676	\$ 400,676	\$ 400,676	\$ 400,676
Total	<u>\$ 400,676</u>			
Investments Not Subject to Categorization:				
External Investment Pool (LAMP)		27,096	27,096	27,096
Total Investments		<u>\$ 427,772</u>	<u>\$ 427,772</u>	<u>\$ 427,772</u>

The Town can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The Town's investments are categorized to give an indication of the level of risk assumed by it at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the Town's name.

Category 3 includes uninsured and unregistered investments with securities held by the counterparty, or by its trust department or agent, but not in the Town's name.

In accordance with GASB Codification Section 150.128, the investment in Louisiana Asset Management Pool (LAMP) is not categorized in the three risk categories provided by the GASB Codification Section 150.164 because the investment is in the pool of funds and thereby not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R. S. 33:2955. GASB Statement No. 40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest risk, and foreign currency risk for all public entity investments.

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE D: INVESTMENTS, continued

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

- Credit risk: LAMP is rated AAAM by Standard & Poor's
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.
- Foreign currency risk: Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

NOTE E: FAIR VALUE MEASUREMENTS

The following table sets forth by level within fair value hierarchy the Town's assets at estimated fair value as of June 30, 2018:

	Level 1
Certificates of deposits	\$400,676
LAMP	27,096
Total	\$427,772

The Town of Brusly did not have level 2 or level 3 assets at June 30, 2018.

NOTE F: RECEIVABLES

The receivables of \$229,360 at June 20, 2018 are as follows:

Class of Receivable	General Fund	Sewer Fund	Total
Taxes:			
Sales and use	\$ 130,586	\$ -	\$ 130,586
Other	32,907	-	32,907
	163,493	-	163,493
Accounts Receivable	20,993	44,874	65,867
Total	\$ 184,486	\$ 44,874	\$ 229,360

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE F: RECEIVABLES, continued

Receivables are written-off under the direct write-off method whereby bad debts are recorded when a receivable is deemed uncollectible. If they are subsequently collected, they are recorded as miscellaneous income. The direct charge-off method is not a material departure from GAAP as it approximates the valuation method.

NOTE G: INTER-FUND RECEIVABLES AND PAYABLES—FUND FINANCIAL STATEMENTS

Because the Town operates with only one checking account for both the general and sewer funds, it has to pay for costs using its General Fund money and then request reimbursement for the advanced costs under the sewer fund. Such advances create short-term inter-fund loans. A summary of these inter-fund loans, at year-end, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Proprietary Fund-Sewer	\$ 140,104

NOTE H: CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Primary Government			
	Balance	Additions	Deletions	Balance
	7/01/2017			6/30/2018
Land	\$ 110,001	\$ 109,000	\$ -	\$ 219,001
Buildings	3,960,745	-	-	3,960,745
Improvements other than buildings	-	-	-	-
Infrastructure	2,286,104	-	-	2,286,104
Equipment	1,076,525	155,167	-	1,231,692
Furniture and fixtures	-	-	-	-
Total Capital Assets	\$ 7,433,375	\$ 264,167	\$ -	\$ 7,697,542

	Primary Government				
	Accumulated	Additions	Deletions	Accumulated	Capital Assets Net
	Depreciation			Balance	
	Balance			Balance	Depreciation
	7/01/2017			6/30/2018	Depreciation
Land	\$ -	\$ -	\$ -	\$ -	\$ 219,001
Buildings	657,787	96,370	-	754,157	3,206,588
Improvements other than buildings	-	-	-	-	-
Infrastructure	775,270	110,395	-	885,665	1,400,439
Equipment	710,278	96,822	-	807,100	424,592
Furniture and fixtures	-	-	-	-	-
Total Capital Assets	\$ 2,143,335	\$ 303,587	\$ -	\$ 2,446,922	\$ 5,250,620

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE H: CAPITAL ASSETS, continued

A summary of the changes in proprietary type property, plant, and equipment at June 30, 2018:

	Proprietary			Balance 6/30/2018
	Balance 7/01/2017	Additions	Deletions	
Land	\$ -	\$ -	\$ -	\$ -
Buildings	-	-	-	-
Improvements other than buildings	4,183,030	282,742	-	4,465,772
Infrastructure	-	-	-	-
Equipment	496,926	-	-	496,926
Furniture and fixtures	-	-	-	-
Construction in progress	282,742	-	282,742	-
Total Capital Assets	\$ 4,962,698	\$ 282,742	\$ 282,742	\$ 4,962,698

	Proprietary				Capital Assets Net of Accumulated Depreciation
	Accumulated Depreciation 7/01/2017	Additions	Deletions	Accumulated Depreciation Balance 6/30/2018	
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	-	-	-	-	-
Improvements other than buildings	3,209,069	111,645	-	3,320,714	1,145,058
Infrastructure	-	-	-	-	-
Equipment	362,838	29,162	-	392,000	104,926
Furniture and fixtures	-	-	-	-	-
Construction in progress	-	-	-	-	-
Total Accumulated Depreciation	\$ 3,571,907	\$ 140,807	\$ -	\$ 3,712,714	\$ 1,249,984

Depreciation expense of \$303,587 for the year ended June 30, 2018 was charged to the following governmental functions:

General	\$ 39,527
Police	110,886
Maintenance	42,779
Highway and Streets	<u>110,395</u>
Total Depreciation – Governmental Activities	\$303,587
Sewer Fund	<u>\$140,807</u>
Total Depreciation – Business-Type Activities	\$140,807
Total Depreciation	<u>\$444,394</u>

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE I: LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2018:

	Bonded Debt	Compensated Absences	Capital Lease	Pension Liability	OPEB	Total
Long-Term Obligations, July 1, 2017	\$ 685,000	\$ 16,014	\$ 2,626	\$ 1,735,132	\$ -	\$ 2,438,772
Additions	-	8,530	-	67,265	251,347	327,142
Deletions	30,000	-	1,202	-	-	31,202
Long-Term Obligations, June 30, 2018	<u>\$ 655,000</u>	<u>\$ 24,544</u>	<u>\$ 1,424</u>	<u>\$ 1,802,397</u>	<u>\$ 251,347</u>	<u>\$ 2,734,712</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2018:

	Bonded Debt	Compensated Absences	Capital Lease	Pension Liability	OPEB Liability	Total
Current Portion	\$ 30,000	\$ 14,158	\$ 1,424	\$ -	\$ -	\$ 45,582
Long-term Portion	625,000	10,386	-	1,802,397	251,347	2,689,130
Total	<u>\$ 655,000</u>	<u>\$ 24,544</u>	<u>\$ 1,424</u>	<u>\$ 1,802,397</u>	<u>\$ 251,347</u>	<u>\$ 2,734,712</u>

Bonded Debt

On May 9, 2016, \$710,000 in Sewer Revenue Bonds and Refunding Bonds, Series 2016 with an average interest rate of 2.875 percent were issued to refund \$422,136 of outstanding Sewer Revenue Bonds, Series 1983 and Sewer Revenue Bonds, Series 1996 with an average interest rate of 5.5 percent. The remaining proceeds will be used for Sewer Projects.

The municipal bond outstanding as of June 30, 2018, totaling \$655,000, are 2016 Sewer Revenue Bonds maturing 2036 with a variable interest rate between 2.000% and 3.625%. Bond principal and interest payable in the next fiscal year are \$30,000, and \$19,956, respectively.

The individual issues are as follows:

Bond	Original Issue	Interest Rate	Final Payment Due	Interest to Maturity	Principal Outstanding	Funding Source
2016 Sewer Revenue Bonds	\$ 710,000	Variable	2036	<u>\$ 222,437</u>	<u>\$ 655,000</u>	Sewer Fees

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE I: LONG-TERM OBLIGATIONS, continued

All principal and interest requirements are funded in accordance with Louisiana law by sewer fees within the Town. At June 30, 2018, the municipality has accumulated \$68,381 in the debt service funds for future debt requirements. The bonds are due as follows:

Year Ended June 30,	Principal Payments	Interest Payments	Total
2019	30,000	19,956	49,956
2020	30,000	19,356	49,356
2021	30,000	18,756	48,756
2022	30,000	18,156	48,156
2023	30,000	17,331	47,331
2024-2027	135,000	60,663	195,663
2028-2032	190,000	51,906	241,906
2033-2036	180,000	16,313	196,313
Total	<u>\$ 655,000</u>	<u>\$ 222,437</u>	<u>\$ 877,437</u>

Capital Lease

On July 29, 2014, the Town entered into a lease for a copy machine through AllFax Capital, LLC. The lease is for sixty (60) months at an interest rate of 17.16% per annum, with monthly payments of \$130. There is an option to purchase at the end of the lease.

The following is an analysis of the leased asset included in Property and Equipment:

Equipment	\$ 4,172
Less: accumulated depreciation	<u>(2,086)</u>
	<u>\$ 2,086</u>

The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30:

2019	<u>\$ 1,557</u>
Total minimum lease payments	1,557
Less amount representing interest	<u>(133)</u>
Present value of minimum lease payments	<u>\$ 1,424</u>

NOTE J: PENSION PLAN

Substantially all employees of the Town of Brusly are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana or Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate board of trustees. Pertinent information relative to each plan follows:

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

Municipal Employees Retirement System of Louisiana (MERS)

Plan Description:

All of the Town of Brusly's full-time general employees participate in the MERS, a multiple-employer, cost-sharing pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Town of Brusly are members of Plan B. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. MERS has issued a stand-alone audit report on their financial statements for the year ended June 30, 2017. Access to the report can be found on the Louisiana Legislative Auditor's website, www.lia.la.gov.

Retirement Benefits:

Any member of Plan B who commenced participation in the System prior to January 1, 2013 can retire providing the member meets one of the following criteria: (1) any age with thirty (30) years of creditable service, (2) Age 60 with a minimum of ten (10) years of creditable service, (3) any age with ten (10) years of creditable service eligible for disability benefits, (4) survivor's benefits require five (5) or more years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlines in the statutes, the benefits are limited to specified amounts.

Any member of Plan B Tier 2 can retire providing he or she meets one of the following requirements: (1) Seven (7) years or more of service, at age sixty-seven or thereafter; (2) Ten (10) years or more of service, age sixty-two, or thereafter; (3) Thirty (30) years or more of service, at age fifty-five, or thereafter; (4) twenty-five (25) years of service credit at any age, exclusive of military service and unused annual sick leave.

The monthly amount of retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

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

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

1. Surviving spouse who is married no less than twelve (12) months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable as long as the surviving spouse lives, or
2. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon the death of the member and payable for as long as the surviving spouse lives. Selecting this benefit precludes the survivor from the eligibility for the thirty percent benefit payable when the surviving spouse attains the age of sixty years.

Any member of Plan B who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits. Any member of Plan B who had not withdrawn their accumulated contributions and had at least twenty years of service credit at time of death, surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

DROP Benefits:

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

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if non, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

For Plan B, a member shall be eligible to retire and received a disability benefit if he has at least ten years of creditable service, in which he would receive a regular retirement benefit under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years or creditable service, whichever is greater, or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest retirement age.

Deferred Benefits:

Plan B provides for deferred benefits for members who terminate before becoming eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

Cost of Living Increases:

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

Employer Contributions:

Contributions for all plan members are established by statute. Member contributions are at 5% of earnable compensation for Plan B. The contributions are deducted from the member's salary and remitted by the Town of Brusly. According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2017, the actual employer contribution rate was 11.00% of member's earnings for Plan B.

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

Plan members are required by state statute to contribute 5.00 percent of their annual covered salary to the System, and the Town of Brusly is required to make contributions at an actuarially determined rate. The current rate is 13.25% of annual covered payroll. 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. The Town's contributions to the MERS during the years ended June 30, 2018, 2017, and 2016, were \$50,147, \$48,714, and \$44,322, respectively, equal to the required contributions for each year.

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources:

At June 30, 2018, the Town reported a liability of \$531,815 for its proportionate share of the net pension liability for MERS. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion for MERS was 0.614650%, which was a decrease of .047282% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$96,581 for MERS less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$2,425).

At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,786	\$ (11,545)
Changes of assumptions	23,416	-
Net difference between projected and actual earnings on pension plan investments	112,052	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(46,351)
Employer contributions subsequent to the measurement date	<u>50,147</u>	<u>-</u>
Total	<u>\$ 188,401</u>	<u>\$ (57,896)</u>

The Town reported a total for MERS of \$50,147 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2017, which will be recognized as a reduction in net pension liability for the year ended June 30, 2019.

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

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

<u>Fiscal Year Ended</u>	<u></u>
2018	\$ 30,685
2019	28,165
2020	16,869
2021	4,638
	<u>\$ 80,357</u>

Actuarial Assumptions:

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples included assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and net estimates are made about the future. The actuarial assumptions used in the June 30, 2017 valuation was based on the results of an experience study, for the period July 2009 through June 30, 2014.

Information on the actuarial valuation and assumptions is as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years for Plan B
Investment Rate of Return	7.400%
Inflation Rate	2.775%
Salary increases, including inflation and merit increases	5.000%
Annuitant and beneficiary mortality	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females
Disabled lives mortality	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 for females.

Discount Rate:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Portfolio Real Rate of Return</u>
Public equity	50%	2.30%
Public fixed income	15%	1.60%
Alternatives	35%	0.70%
Totals	100%	4.60%
Inflation		2.60%
Expected Arithmetic Nominal Return		7.20%

The discount rate used to measure the total pension liability was 7.40% for the year ended June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following table represents the Town's proportionate share of the net pension liability (NPL) using the discount rate for MERS as well as the Town's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

percentage higher than the current discount rate used by MERS:

	Plan B		
	Current		
	1.0% Decrease	Discount Rate	1.0% Increase
	6.40%	7.40%	8.40%
Net Pension Liability	\$ 688,109	\$ 531,815	\$ 398,440

Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan Description:

All of the Town's full-time police department employees engaged in law enforcement are required to participate in the MPERS, a multiple-employer, cost-sharing, defined benefit pension plan administered by a separate board of trustees, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projection of benefit payments in the benefit calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefit provisions are authorized within by Act 189 of 1973 and amended by LRS 11:2211-11:2233 to provide retirement, disability, and survivor benefits to municipal police officers of Louisiana. Benefits are established and amended by state statute. MPERS issued a stand-alone audit report on its financial statements for the year ended June 30, 2017. Access to the audit report can be found on the System's website: www.lampers.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

Retirement Benefits:

Membership Prior to January 1, 2013. A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years of creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are 3.33% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

Membership Commencing January 1, 2013. Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are 3% and 2.50%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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

Cost of Living Adjustments:

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

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

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

Deferred Retirement Option Plan:

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

elected by the participant at date of application. The duration of participation in the DROP is 36 months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

Initial Benefit Option Plan:

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

Employer Contributions:

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2017, total contributions due for employers and employees was 41.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 31.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 33.75% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than the poverty guidelines issued by the United States Department of Health and Human Services were 34.25% and 7.50%, respectively.

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2017, and excluded from pension expense.

Plan members are required by state statute to contribute 10.00 percent of their annual covered salary to the System, and the Town is required to make contributions at an actuarially

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

determined rate. The contribution requirements of plan members and the Town are established and 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. The Town's contributions to the MPERS for the years ended June 30, 2018, 2017 and 2016, were \$136,787, \$137,945, and \$106,482, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources:

At June 30, 2018, the Town reported a liability of \$1,270,582 for its proportionate share of the net pension liability for MPERS. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Town's proportion for MPERS was .145535%, which was an increase of .018951% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$269,451 for MPERS plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$2,021. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for MPERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,320	\$ (9,766)
Changes of assumptions	90,409	-
Net difference between projected and actual earnings on pension plan investments	55,621	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	258,771	(69)
Employer contributions subsequent to the measurement date	136,787	-
Total	\$ 549,908	\$ (9,835)

The Town reported a total for MPERS of \$136,787 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2017, which will be recognized as a reduction in net pension liability for the year ended June 30, 2019.

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

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	
2018	\$ 192,031
2019	159,613
2020	81,457
2021	(29,815)
	\$ 403,286

Actuarial Assumptions:

The actuarial assumptions used in the June 30, 2017 valuation were based on the assumptions used in the June 30, 2017 actuarial funding valuation and were based on the results of an actuarial experience study for the period of 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. A summary of actuarial methods and assumptions used in determining the total net pension liability for MPERS as of June 30, 2017 is as follows:

Valuation Date	June 30, 2017	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Inflation Rate	3%	
Expected Remaining Service Lives	4 years	
Investment Rate of Return	7.325%, net of investment expense	
Projected Salary Increases	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1 - 2	9.75%
	3 - 23	4.75%
	Over 23	4.25%
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

Mortality Rate:

The mortality rate assumption used was verified by upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	53%	3.66%
Fixed income	21%	0.52%
Alternatives	20%	1.10%
Other	6%	0.16%
Totals	100%	5.44%
Inflation		2.75%
Expected Arithmetic Nominal Return		8.19%

Discount Rate:

The discount rate used to measure the total pension liability was 7.325%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following table represents the Town's proportionate share of the net pension liability (NPL) using the discount rate for MPERS as well as the Town's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage higher than the current rate used by MPERS:

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
	<u>6.325%</u>	<u>7.325%</u>	<u>8.350%</u>
Net Pension Liability	\$ 1,755,432	\$ 1,270,582	\$ 763,828

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE J: PENSION PLAN, continued

Summarized Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources

At June 30, 2018, the Town reported a total liability of \$1,802,397 for its proportionate share of the net pension liability.

For the year ended June 30, 2018, the Town recognized total pension expense of \$366,032 for its governmental activities less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions (\$404).

At June 30, 2018, the Town reported total deferred outflows of resources and total 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	\$ 11,106	\$ (21,311)
Changes of assumptions	113,825	-
Net difference between projected and actual earnings on pension plan investments	167,673	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	258,770	(46,420)
Employer contributions subsequent to the measurement date	186,934	-
Total	\$ 738,308	\$ (67,731)

NOTE K: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description:

The Town of Brusly (the Town) provides certain medical and dental insurance benefits for its retired employees. The Town of Brusly's OPEB Plan (the OPEB plan) is a single-employer defined benefit OPEB plan administered by the Town. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Town. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification P52 *Postemployment Benefits Other Than Pensions-Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria-Defined Benefit*.

Benefits Provided:

Medical/dental benefits are provided to employees upon actual retirement. The employer pays 100 percent of the medical coverage for the retiree only. Employees are covered by a retirement system whose retirement eligibility as follows: The Town will cover 100 percent of the retiree medical premium (retiree only not dependents). Retiree must have been a full-time employee and/or Town Clerk of the Town for at least the last twenty consecutive years and at least 55 years of age.

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE K: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, continued

Employees Covered by Benefit Terms:

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	18
Total	<u>19</u>

Total OPEB Liability:

The Town's total OPEB liability of \$251,347 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs:

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.5% annually
Salary increases	3.0% annually
Discount rate	3.87% annually
Healthcare cost trend rates	Flat 5.5% annually

The discount rate is based on the value of the Bond-Buyer 20 year general obligation municipal bond index as of June 30, 2018. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years.

Mortality rates are based on the SOA RP-2000 Combined Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of ongoing evaluations of the assumptions from July 1, 2009 to June 30, 2018.

Changes in the Total OPEB Liability:

Balance at June 30, 2017	\$ 226,748
Changes for the year:	
Service cost	16,964
Interest cost	9,432
Changes of assumptions/inputs	(6,875)
Differences between expected and actual experience	18,281
Benefit payments - employer retiree premiums paid	<u>(13,203)</u>
Net Changes	<u>24,599</u>
Balance at June 30, 2018	<u>\$ 251,347</u>

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE K: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS, continued

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	1.0% Decrease 2.87%	Current Discount Rate 3.87%	1.0% Increase 4.87%
Total OPEB Liability	\$ 280,723	\$ 251,347	\$ 226,529

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare cost trend rate:

	1.0% Decrease 4.5%	Current Healthcare Cost Trend Rate 5.5%	1.0% Increase 6.5%
Total OPEB Liability	\$ 230,532	\$ 251,347	\$ 256,558

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended June 30, 2018, the Town recognized OPEB expense of \$26,900. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (6,548)
Differences between expected and actual experience	17,450	-
Total	\$ 17,450	\$ (6,548)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2019	\$	504
2020		504
2021		504
2022		504
2023		504
Thereafter		8,385

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE L: UTILITY SERVICE AGREEMENT

An agreement between the West Baton Rouge Parish Waterworks District No. 2 and the Town of Brusly provides for the billing of customers on the Town's sewer system. This billing agreement went into effect for the month of November 1982. Under the terms of the agreement, the Waterworks District No. 2 is entitled to a portion of the billing fee to cover the cost of collections. At this time, the District remits all collections to the Town.

NOTE M: CENTRALIZED COLLECTION AGENCY AGREEMENT

Pursuant to LA R. S. 33:2738.62 as enacted by Act No. 43 of the 1984 Regular Session of the State of Louisiana, the West Baton Rouge Sales Tax District No. 1 was created as the single tax collection for the Parish of West Baton Rouge. The agreement went into effect in 1984 and the agreement authorized the Town to compensate the collection agency its share of the cost of collection or about 4% of the gross amount collected.

NOTE N: FRANCHISE AGREEMENTS

The Town has granted two franchises:

Cable Television

A non-exclusive cable franchise was granted to TCI, Inc., now Cox Communications, Inc., on September 8, 1980, for a period of ten years. The agreement was amended again on September 8, 2008. The annual franchise fee is 5% of the Company's gross receipts.

Electric

On September 11, 1972, the Town entered into a franchise with Gulf State Utilities Company, now Entergy, to supply electric energy to the Town and the inhabitants thereof for a period of 60 years. In consideration, the Town shall receive a fee of 4.5% of the gross receipts from sales of electricity within the corporate limits of the Town from October 1, 1972 to September 30, 1982, then from November 1, 1982 to September 30, 2032, a fee of 5%.

NOTE O: RESERVED AND DESIGNATED FUND BALANCES

Reserves have been set up for revenue bonds payable.

NOTE P: ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

The Town's police chief and police officers received about \$54,367 in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections. The Town recognizes this supplemental pay received by the employees as revenues and expenditures of the Town. The revenues are reported in the General Fund and the expenditures are included in Public Safety expenditures.

NOTE Q: RELATED PARTY TRANSACTIONS

There were no related party transactions noted.

**TOWN OF BRUSLY
NOTES TO FINANCIAL STATEMENTS**

NOTE R: RISK MANAGEMENT

The Town is exposed to various risk of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Town has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage for the prior year. No settlements were made during the year that exceeded the Town's coverage.

NOTE S: JUDGEMENTS, CLAIMS AND SIMILAR CONTINGENCIES

The Town's management believes that any potential lawsuits would be covered by insurance or resolved without any material impact upon the Town's financial statements. One claim was paid out and no litigation costs were incurred during the year ended June 30, 2018.

NOTE T: CURRENT YEAR ADOPTION OF NEW ACCOUNTING STANDARDS AND RESTATEMENT OF NET POSITION

The Town of Brusly adopted Government Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75") to replace GASB 45. The net effect to the Government-Wide Statement of Net Position is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position, June 30, 2017, as previously stated	\$ 7,330,404	\$ 667,850	\$ 7,998,254
Net OPEB Liability at June 30, 2017	(226,748)	-	(226,748)
Net Position, June 30, 2017, as restated	<u>\$ 7,103,656</u>	<u>\$ 667,850</u>	<u>\$ 7,771,506</u>

NOTE U: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 21, 2018, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended June 30, 2018. In late December 2017, the Town became aware of potential misappropriation of fine revenue and launched an internal investigation which uncovered approximately \$81,691 in missing fine revenue spanning from March 2015 to December 2017. The investigation is ongoing and the law enforcement, District Attorney's Office, FBI and the Louisiana Legislative Auditors are involved in the investigation.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BRUSLY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Self-generated Fees, Services, and Taxes	\$ 2,578,000	\$ 2,578,000	\$ 2,604,275	\$ 26,275
Other Revenues	96,000	176,600	181,504	4,904
TOTAL REVENUES	<u>2,674,000</u>	<u>2,754,600</u>	<u>2,785,779</u>	<u>31,179</u>
EXPENDITURES				
Current -				
General Government	1,073,355	1,083,355	1,092,207	(8,852)
Public Safety	790,650	790,650	827,549	(36,899)
Maintenance	439,510	409,510	285,520	123,990
Highway and Streets	98,500	48,500	64,006	(15,506)
Debt Service -				
Principal	-	-	1,202	(1,202)
Interest	-	-	359	(359)
Capital Outlay	192,000	262,000	264,167	(2,167)
TOTAL EXPENDITURES	<u>2,594,015</u>	<u>2,594,015</u>	<u>2,535,010</u>	<u>59,005</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>79,985</u>	<u>160,585</u>	<u>250,769</u>	<u>90,184</u>
FUND BALANCE, BEGINNING	<u>3,044,301</u>	<u>3,044,301</u>	<u>3,044,301</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 3,124,286</u>	<u>\$ 3,204,886</u>	<u>\$ 3,295,070</u>	<u>\$ 90,184</u>

**TOWN OF BRUSLY
BRUSLY, LOUISIANA
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018**

SCHEDULE OF FUNDING PROGRESS

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 16,964
Interest	9,432
Changes of benefit terms	-
Difference between expected and actual experience	18,281
Changes of assumptions	(6,875)
Benefit payments	<u>(13,203)</u>
Net change in total OPEB Liability	24,599
Total OPEB liability - beginning	<u>226,748</u>
Total OPEB liability - ending	<u>\$ 251,347</u>
Covered employee payroll	\$ 878,731
Net OPEB liability as a percentage of covered-employee payroll	28.60%

Notes:

Benefit Changes. There were no changes of benefit terms for the year ended June 30, 2018.

Changes of Assumptions. There were no changes of assumptions for the year ended June 30, 2018.

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

**TOWN OF BRUSLY
BRUSLY, LOUISIANA
SCHEDULE OF PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

Retirement System	Year Ended June 30,	Employer Portion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Municipal Employees' Retirement System	2018	0.614650%	\$ 531,815	\$ 435,783	122.0%	63.49%
	2017	0.661932%	\$ 548,681	\$ 541,517	101.3%	63.34%
	2016	0.731949%	\$ 497,467	\$ 503,307	98.8%	68.71%
	2015	0.735399%	\$ 345,267	\$ 447,164	77.2%	76.94%
Municipal Police Employees' Retirement System	2018	0.145535%	\$ 1,270,582	\$ 444,835	285.6%	70.08%
	2017	0.126584%	\$ 1,186,449	\$ 381,486	311.0%	66.04%
	2016	0.100973%	\$ 791,018	\$ 364,516	217.0%	70.73%
	2015	0.073947%	\$ 462,618	\$ 348,842	132.6%	76.94%

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

**TOWN OF BRUSLY
BRUSLY, LOUISIANA
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

Retirement System	Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
Municipal Employees' Retirement System	2018	\$ 50,147	\$ 50,147	\$ -	\$ 435,783	11.51%
	2017	\$ 51,444	\$ 48,714	\$ 2,730	\$ 541,517	9.00%
	2016	\$ 47,814	\$ 44,323	\$ 3,491	\$ 503,307	8.81%
	2015	\$ 39,127	\$ 41,718	\$ (2,591)	\$ 447,164	9.33%
Municipal Police Employees' Retirement System	2018	\$ 136,787	\$ 136,787	\$ -	\$ 444,835	30.75%
	2017	\$ 123,983	\$ 137,945	\$ (13,962)	\$ 381,486	36.16%
	2016	\$ 34,629	\$ 106,482	\$ (71,853)	\$ 364,516	29.21%
	2015	\$ 30,524	\$ 91,548	\$ (61,024)	\$ 348,842	26.24%

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

SUPPLEMENTARY INFORMATION

**TOWN OF BRUSLY
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2018**

Agency Head Name: Scot Rhodes, Mayor

PURPOSE	AMOUNT
Salary	\$ 50,000
Benefits - retirement	6,625
Registration Fees	200
Conference Travel	264
TOTAL	\$ 57,089

**TOWN OF BRUSLY
SCHEDULE OF COMPENSATION PAID TO ELECTED OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>ALDERMEN</u>	<u>AMOUNT</u>
Joanne C. Bourgeois	\$ 7,850
David Shane Andre'	7,200
Donald Neisler	7,250
Terry Richard	7,200
Russel Daigle	7,250
TOTAL	\$ 36,750

<u>POLICE CHIEF</u>	<u>AMOUNT</u>
Jonathan Lefeaux	\$ 48,000

OTHER REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

BAXLEY AND ASSOCIATES, LLC

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SCHEDULE 3

The Honorable Scot Rhodes, Mayor
and the Council Members
Town of Brusly
Brusly, Louisiana

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Brusly as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Brusly's basic financial statements and have issued our report thereon dated November 21, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose describe 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, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (2018-2).

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

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies (2018-1)

Compliance and Other Matters

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

Town of Brusly, Louisiana's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baxley & Associates, LLC

Plaquemine, Louisiana

November 21, 2018

**TOWN OF BRUSLY
SCHEDULE OF FINDINGS & RESPONSES
YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified? ___ X ___ yes ___ no
- Significant deficiencies identified that are not considered to be material weaknesses? ___ X ___ yes ___ no
- Noncompliance material to financial statements noted? ___ yes ___ X no

**B. FINDINGS – FINANCIAL STATEMENT AUDIT
2018-001 Financial Statements**

Condition

The Town does not have the employees, nor have they engaged a third party who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Criteria

Government Auditing Standards issued by the Comptroller General of the United States requires governmental units to have employees or engage a third party who has the qualifications and training to apply GAAP in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Effect

The lack of ability to generate GAAP basis financial statements on the part of the Town resulted in the audit assisting in the preparation of the financial statements.

Recommendation

The Town should evaluate the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP to determine if it is in the best interest of the government to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

Management's Response

Management has evaluated the cost vs. benefit of outsourcing this task. We believe it is in the best interest of the Town of Brusly to continue to carefully review and take responsibility for the financial statements prepared by the engaged CPA firm. We will evaluate the decision annually and make changes as they are feasible.

TOWN OF BRUSLY
SCHEDULE OF FINDINGS & RESPONSES
YEAR ENDED JUNE 30, 2018

2018-002 Internal Controls

Condition

The Town failed to take all steps necessary to ensure that an effective structure of internal control was in place and functioning as designed in order to prevent, or detect and correct, material misstatements from July 2017 through December 2017. This is a repeat finding from 2017.

Criteria

Government Auditing Standards, issued by the Comptroller General of the United States requires that an adequate system of internal control be in place in order to safeguard assets and assure proper recording of transactions.

Effect

The lack of adequate controls from July 2017 through December 2017 allowed a misappropriation of assets to occur and not be detected in a timely manner.

Recommendation

The Town should enhance the control procedures over revenue collections to ensure that the supporting records for transactions are reconciled to the general ledger.

Management's Response

Procedures were changed immediately upon discovery that a misappropriation had occurred. Starting January 1, 2018, a new policy with upgraded security procedures was added to ensure all payments are accounted for and verified daily.

**TOWN OF BRUSLY
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

2017-001 Financial StatementsCondition

The Town does not have any employees, nor have they engaged a third party who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Recommendation

The Town should evaluate the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP to determine if it is in the best interest of the government to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

Status

The condition still exists as the Town does not have anyone to prepare GAAP based financial statements.

2017-002 Internal ControlsCondition

The Town failed to take all steps necessary to ensure that an effective structure of internal control was in place and functioning as designed in order to prevent, or detect and correct, material misstatements on a timely basis.

Recommendation

The Town should enhance the control procedures over revenue collections to ensure that the supporting records for transactions are reconciled to the general ledger.

Status

The above condition existed from July 2017 through December 2017.

2017-003 Audit SubmissionCondition

The Town did not submit audited financial statements in a timely manner, as required by Louisiana Revised Statutes.

Recommendation

Management should implement procedures to ensure that all required filing deadlines are met.

Status

This was corrected in the current year.

TOWN OF BRUSLY
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2018

BAXLEY AND ASSOCIATES, LLC

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The Honorable Scot Rhodes, Mayor
and the Council Members
Town of Brusly
Brusly, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Town of Brusly 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, 2017 through June 30, 2018. The Town of Brusly's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - 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.
 - c) **Disbursements**, including processing, reviewing, and approving
 - 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).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- 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
- 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)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: We examined the policies and procedures for budgeting, receipts/collections, payroll, contracting, and credit cards. No exceptions were noted as a result of applying the above procedure.

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

Findings: We obtained and reviewed minutes of the Town of Brusly for the fiscal period noting that the Council had met monthly. The minutes also referred to monthly budget to actual comparisons on the general fund. These comparisons were presented to the Town Council. We also noted no negative unassigned fund balance in the prior year audit report.

No exceptions were noted as a result of applying the above procedure.

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

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

Collections

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

Findings: We received management's representation that there is only one deposit site. No exceptions were noted as a result of applying the above procedure.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Findings: We received management's representation that there is only one collection location. Two employees who are responsible for collections do not share cash drawers. The same two employees prepare deposits, but these same deposits are verified by two other employees. The person responsible for collecting cash is not responsible for posting entries into the general ledger. The cash reconciliations are prepared by an employee and the bank statement is reviewed by the Mayor and the bank reconciliation is reviewed by the Town Clerk.

No exceptions were noted as a result of applying the above procedure.

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

Findings: Management stated that all employees who have access to cash are covered by a bond or insurance policy.

No exceptions were noted as a result of applying the above procedure.

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

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Findings:

No exceptions were noted as a result of applying the above procedure.

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).

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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.
 - b) At least two employees are 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.
 - 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.

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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.

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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).

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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) 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).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies 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).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

Payroll and Personnel

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

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed 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.

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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.

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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.

Findings: Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.

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.

Findings: We obtained a list of misappropriations totaling \$16,884. We examined the receipt of payment and a copy of the ticket. These funds were mostly cash payments that were not deposited into the bank. The misappropriated funds were turned over to the Legislative Auditor's office, West Baton Rouge Sheriff Department and the FBI. The case is still under investigation.

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.

Findings: We examined the Town's website and observed that the required notice was posted on the entity's website.

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

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

Baxley & Associates, LLC

Baxley and Associates, LLC
Plaquemine, Louisiana
November 21, 2018

TOWN OF BRUSLY

**Management's Response to Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2018**

Management's Response to Items:

Based upon the fact that prior year exceptions to the agreed upon procedures were corrected in the current year, no response is needed from management.