

TOWN OF IOWA, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2019

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TOWN OF IOWA, LOUISIANA
 ANNUAL FINANCIAL REPORT
 Year Ended June 30, 2019

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TOWN OF IOWA, LOUISIANA

June 30, 2019

MAYOR

The Honorable Paul Hesse

TOWN COUNCIL

Mr. Gerald Guidry
Ms. Julie Fontenot
Mr. Joe Becnel

Mr. Daniel Hennigan
Ms. Vernessa Guillory

LEGAL COUNSEL

Mr. Eugene Bouquet

TOWN CLERK

Ms. Cynthia Mallett

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council
Town of Iowa
Iowa, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Iowa, Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Iowa, Louisiana as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Sales Tax - Water Improvements, Sales Tax II - Streets and Sales Tax III 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 Schedule of Employer's Proportionate Share of Net Pension Liability and the Schedule of Employer's Pension Contributions on pages 60 and 61 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Iowa, Louisiana's basic financial statements. The introductory section, combining nonmajor fund financial statements and the Schedule of Compensation, Benefits and Other Payments to Mayor are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the Schedule of Compensation, Benefits and Other Payments to Mayor are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the Schedule of Compensation, Benefits and Other Payments to Mayor are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, on our consideration of the Town of Iowa, Louisiana's internal control over financial reporting and our test 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 testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Iowa, Louisiana's internal control over financial reporting and compliance.

Under Louisiana Revised Statute 24:513, this report is distributed by the
Legislative Auditor as a public document.

Mr. Troy Quik + Bank

Lake Charles, Louisiana
December 6, 2019

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF IOWA, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF NET POSITION
June 30, 2019

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,317,061	\$ 539,699	\$ 3,856,760
Certificates of deposit	181,035	-	181,035
Investments	6,188,164	740,542	6,928,706
Receivables (net, where applicable, of allowance for uncollectibles):			
Taxes	69,364	-	69,364
Accounts	113,619	86,407	200,026
Internal balance	(34,285)	34,285	-
Prepaid expenses	790	12,207	12,997
Deposits	-	100	100
Restricted assets:			
Customers' deposits-cash	-	128,571	128,571
Construction deposit	5,000	-	5,000
Capital assets:			
Land, improvements and construction in progress	134,670	4,002	138,672
Other capital assets, net of depreciation	3,807,179	2,720,015	6,527,194
Total assets	<u>13,782,597</u>	<u>4,265,828</u>	<u>18,048,425</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows related to pensions	<u>388,733</u>	<u>113,277</u>	<u>502,010</u>
 <u>LIABILITIES</u>			
Accounts payables	159,779	42,480	202,259
Other payables	85,111	9,461	94,572
Payable from restricted assets:			
Customer deposits	-	128,571	128,571
Construction deposit payable	5,000	-	5,000
Noncurrent liabilities:			
Due within one year	31,852	1,865	33,717
Due in more than one year	111,488	16,787	128,275
Net pension liability	738,233	264,011	1,002,244
Total liabilities	<u>1,131,463</u>	<u>463,175</u>	<u>1,594,638</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows related to pensions	<u>71,774</u>	<u>20,039</u>	<u>91,813</u>

(continued on next page)

TOWN OF IOWA, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF NET POSITION
June 30, 2019
(Continued)

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>NET POSITION</u>			
Investment in capital assets, net of related debt	3,895,911	2,724,017	6,619,928
Restricted for:			
Special revenue	6,974,905	-	6,974,905
Unrestricted	<u>2,097,277</u>	<u>1,171,874</u>	<u>3,269,151</u>
Total net position	<u>\$ 12,968,093</u>	<u>\$ 3,895,891</u>	<u>\$ 16,863,984</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Government activities:				
General government	\$ 629,856	\$ 226,915	\$ 407,344	\$ -
Public safety	2,033,205	995,777	24,116	-
Highway and streets	379,111	-	-	-
Culture and recreation	179,081	-	21,761	-
Drainage	214,617	-	-	-
Total governmental activities	<u>3,435,870</u>	<u>1,222,692</u>	<u>453,221</u>	<u>-</u>
Business-type activities:				
Water utility	612,384	392,698	-	-
Sanitation	721,142	731,273	20,346	-
Total business-type activities	<u>1,333,526</u>	<u>1,123,971</u>	<u>20,346</u>	<u>-</u>
Total government	<u>\$ 4,769,396</u>	<u>\$ 2,346,663</u>	<u>\$ 473,567</u>	<u>\$ -</u>

General revenues:

Ad valorem taxes
Sales taxes
Franchise taxes
Gaming taxes
Other taxes
Intergovernmental
Interest earned
Miscellaneous

Transfers

Total general revenues
and transfers

Change in net position

Net position at beginning of year (restated, see Note 13)

Net position at end of year

See accompanying notes to financial statements

Net (Expenses) Revenue and
Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 4,403	\$ -	\$ 4,403
(1,013,312)	-	(1,013,312)
(379,111)	-	(379,111)
(157,320)	-	(157,320)
(214,617)	-	(214,617)
<u>(1,759,957)</u>	<u>-</u>	<u>(1,759,957)</u>
-	(219,686)	(219,686)
<u>-</u>	<u>30,477</u>	<u>30,477</u>
-	(189,209)	(189,209)
<u>\$ (1,759,957)</u>	<u>\$ (189,209)</u>	<u>\$ (1,949,166)</u>
\$ 233,408	\$ -	\$ 233,408
1,926,128	-	1,926,128
222,607	-	222,607
137,398	-	137,398
10,979	-	10,979
18,210	-	18,210
156,173	17,666	173,839
113,130	7,867	120,997
(355,349)	355,349	-
<u>2,462,684</u>	<u>380,882</u>	<u>2,843,566</u>
702,727	191,673	894,400
<u>12,265,366</u>	<u>3,704,218</u>	<u>15,969,584</u>
<u>\$ 12,968,093</u>	<u>\$ 3,895,891</u>	<u>\$ 16,863,984</u>

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FUND FINANCIAL STATEMENTS

TOWN OF IOWA, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

<u>ASSETS</u>	<u>General</u>	<u>Water Improvements</u>	<u>Streets II</u>
Cash	\$ 1,316,525	\$ 921,988	\$ 472,763
Certificate of deposit	-	-	-
Investments	1,371,074	3,450,405	740,721
Receivables (net, where applicable, of allowance for uncollectibles):			
Taxes	783	66,880	
Accounts	113,619	-	-
Due from other funds	24,491	-	46,935
Prepays	790	-	
Restricted assets:			
Construction deposit	5,000	-	-
Total assets	<u>\$ 2,832,282</u>	<u>\$ 4,439,273</u>	<u>\$ 1,260,419</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 89,137	\$ 567	\$ 11,365
Retainage payable	-	-	-
Other payables	71,210	4,590	3,974
Payable from restricted assets:			
Construction deposit payable	5,000	-	-
Due to other funds	50,984	105,777	-
Total liabilities	<u>216,331</u>	<u>110,934</u>	<u>15,339</u>
Fund balances:			
Restricted for:			
Water improvements	-	4,328,339	-
Streets	-	-	1,245,080
Flood control, economic development and capital improvements to City Hall	-	-	-
Parks and streets	-	-	-
Police drug enforcement	-	-	-
Fire protection	-	-	-
Sewer improvements	-	-	-
Unassigned	2,615,951	-	-
Total fund balance	<u>2,615,951</u>	<u>4,328,339</u>	<u>1,245,080</u>
Total liabilities and fund balances	<u>\$ 2,832,282</u>	<u>\$ 4,439,273</u>	<u>\$ 1,260,419</u>

Amounts reported for governmental activities in the statement of net position is different because:

Total fund balance - total governmental funds
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

Amounts related to pension recognition are not due and payable in the current period and, therefore, are not reported in the funds

Long-term liabilities, including bonds payable and accrued leave, are not due and payable in the current period and, therefore, are not reported in the funds

Total net position - governmental activities

See accompanying notes to financial statements

Sales Tax III	Non-Major Governmental Funds	Total Governmental Funds
\$ 237,231	\$ 368,553	\$ 3,317,060
-	181,035	181,035
625,965	-	6,188,165
-	1,701	69,364
-	-	113,619
30,785	21,330	123,541
-	-	790
-	-	5,000
<u>\$ 893,981</u>	<u>\$ 572,619</u>	<u>\$ 9,998,574</u>

\$ 32,467	\$ 26,246	\$ 159,782
-	-	-
2,586	2,750	85,110
-	-	5,000
-	1,065	157,826
<u>35,053</u>	<u>30,061</u>	<u>407,718</u>

-	-	4,328,339
-	-	1,245,080
858,928	-	858,928
-	290,236	290,236
-	5,043	5,043
-	247,270	247,270
-	9	9
-	-	2,615,951
<u>858,928</u>	<u>542,558</u>	<u>9,590,856</u>
<u>\$ 893,981</u>	<u>\$ 572,619</u>	<u>\$ 9,998,574</u>

\$ 9,590,856

3,941,849

(421,274)

(143,338)

\$ 12,968,093

TOWN OF IOWA, LOUISIANA

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

	General	Special Revenue	
		Water Improvements	Streets II
Revenues:			
Tax revenue	\$ 735,634	\$ 614,190	\$ 499,029
Licenses and permits	201,573	-	-
Intergovernmental	425,555	-	-
Charges for services	14,894	-	-
Fines and forfeits	1,006,225	-	-
Interest earned	35,668	81,925	17,633
Fire insurance	-	-	-
Grants	7,900	-	-
Miscellaneous	63,674	-	-
Total revenues	<u>2,491,123</u>	<u>696,115</u>	<u>516,662</u>
Expenditures:			
Current:			
General government	493,570	-	134
Public safety	1,935,094	-	-
Highways and streets	-	-	680,531
Culture and recreation	-	-	-
Fire protection district	-	-	-
Drainage	-	-	-
Other services and charges	-	67,931	-
Total expenditures	<u>2,428,664</u>	<u>67,931</u>	<u>680,665</u>
Excess (deficiency) of revenues over expenditures	<u>62,459</u>	<u>628,184</u>	<u>(164,003)</u>
Other financing sources (uses):			
Operating transfers in	126,717	-	-
Operating transfers out	-	(367,320)	-
Total other financing sources (uses)	<u>126,717</u>	<u>(367,320)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	189,176	260,864	(164,003)
Fund balance at beginning of year	<u>2,426,775</u>	<u>4,067,475</u>	<u>1,409,083</u>
Fund balance at end of year	<u>\$ 2,615,951</u>	<u>\$ 4,328,339</u>	<u>\$ 1,245,080</u>

See accompanying notes to financial statements

<u>Sales Tax III</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 383,869	\$ 297,798	\$ 2,530,520
-	-	201,573
-	2,834	428,389
-	-	14,894
-	-	1,006,225
14,889	6,058	156,173
-	13,382	13,382
16,000	-	23,900
-	36,307	99,981
<u>414,758</u>	<u>356,379</u>	<u>4,475,037</u>
26,492	8,331	528,527
-	-	1,935,094
-	-	680,531
10,487	197,411	207,898
-	30,820	30,820
136,602	-	136,602
2,500	-	70,431
<u>176,081</u>	<u>236,562</u>	<u>3,589,903</u>
<u>238,677</u>	<u>119,817</u>	<u>885,134</u>
-	11,972	138,689
-	(126,717)	(494,037)
-	(114,745)	(355,348)
238,677	5,072	529,786
<u>620,251</u>	<u>537,486</u>	<u>9,061,070</u>
<u>\$ 858,928</u>	<u>\$ 542,558</u>	<u>\$ 9,590,856</u>

TOWN OF IOWA, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

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

Net change in fund balance - total governmental funds	\$ 529,786
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	275,297
Net effect of pension liability recognition	(49,574)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(20,068)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	<u>(32,714)</u>
Change in net position of governmental activities	<u>\$ 702,727</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts			Variance With Final Budget Positive (Unfavorable)
	Original	Final	Actual	
Revenues:				
Tax revenue	\$ 659,050	\$ 659,050	\$ 735,634	\$ 76,584
Licenses and permits	203,000	203,000	201,573	(1,427)
Intergovernmental	382,000	382,000	425,555	43,555
Charges for services	16,500	16,500	14,894	(1,606)
Fines and forfeits	903,400	903,400	1,006,225	102,825
Interest earned	16,000	16,000	35,668	19,668
Grants received	20,000	20,000	7,900	(12,100)
Miscellaneous	8,000	8,000	63,674	55,674
Total revenues	2,207,950	2,207,950	2,491,123	283,173
Expenditures:				
Current:				
General government	474,000	474,000	493,570	(19,570)
Public safety	1,693,019	1,851,872	1,935,094	(83,222)
Total expenditures	2,167,019	2,325,872	2,428,664	(102,792)
Excess (deficiency) of revenues over expenditures	40,931	(117,922)	62,459	180,381
Other financing sources (uses):				
Operating transfers in (out)	115,000	115,000	126,717	11,717
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	155,931	(2,922)	189,176	192,098
Fund balance at beginning of year	2,426,775	2,426,775	2,426,775	-
Fund balance at end of year	\$ 2,582,706	\$ 2,423,853	\$ 2,615,951	\$ 192,098

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
SALES TAX - WATER IMPROVEMENTS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts			Variance With Final Budget Positive (Unfavorable)
	Original	Final	Actual	
Revenues:				
Tax revenue	\$ 565,825	\$ 565,825	\$ 614,190	\$ 48,365
Interest earned	36,000	36,000	81,925	45,925
Total revenues	601,825	601,825	696,115	94,290
Expenditures:				
Current:				
Other services and charges	1,105,150	1,105,150	67,931	1,037,219
Excess (deficiency) of revenues over expenditures	(503,325)	(503,325)	628,184	1,131,509
Other financing sources (uses):				
Operating transfers out	-	-	(367,320)	(367,320)
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	(503,325)	(503,325)	260,864	764,189
Fund balance at beginning of year	4,067,475	4,067,475	4,067,475	-
Fund balance at end of year	\$ 3,564,150	\$ 3,564,150	\$ 4,328,339	\$ 764,189

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
SALES TAX II - STREETS

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts			Variance With Final Budget Positive (Unfavorable)
	Original	Final	Actual	
Revenues:				
Tax revenue	\$ 459,730	\$ 459,730	\$ 499,029	\$ 39,299
Interest earned	8,000	8,000	17,633	9,633
Total revenues	<u>467,730</u>	<u>467,730</u>	<u>516,662</u>	<u>48,932</u>
Expenditures:				
Current:				
General government	30,000	30,000	134	29,866
Highways and streets	<u>667,056</u>	<u>667,056</u>	<u>680,531</u>	<u>(13,475)</u>
Total expenditures	<u>697,056</u>	<u>697,056</u>	<u>680,665</u>	<u>16,391</u>
Excess (deficiency) of revenues over expenditures	(229,326)	(229,326)	(164,003)	65,323
Fund balance at beginning of year	<u>1,409,083</u>	<u>1,409,083</u>	<u>1,409,083</u>	-
Fund balance at end of year	<u>\$ 1,179,757</u>	<u>\$ 1,179,757</u>	<u>\$ 1,245,080</u>	<u>\$ 65,323</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
SALES TAX III

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2019

	Budgeted Amounts			Variance With Final Budget Positive (Unfavorable)
	Original	Final	Actual	
Revenues:				
Tax revenue	\$ 353,640	\$ 353,640	\$ 383,869	\$ 30,229
Interest earned	7,100	7,100	14,889	7,789
Grants received	16,000	16,000	16,000	-
Total revenues	376,740	376,740	414,758	38,018
Expenditures:				
Current:				
General government	146,600	146,600	26,492	120,108
Culture and recreation	150,000	150,000	10,487	139,513
Drainage	600,000	600,000	136,602	463,398
Other services and charges	3,500	3,500	2,500	1,000
Total expenditures	900,100	900,100	176,081	724,019
Excess (deficiency) of revenues over expenditures	(523,360)	(523,360)	238,677	762,037
Fund balance at beginning of year	620,251	620,251	620,251	-
Fund balance at end of year	\$ 96,891	\$ 96,891	\$ 858,928	\$ 762,037

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
 PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF NET POSITION
 June 30, 2019

ASSETS

Cash and cash equivalents	\$	539,699
Investments		740,542
Receivables (net, where applicable, of allowance for uncollectibles):		
Accounts		86,407
Due from other funds		34,285
Prepaid expenses		12,207
Deposits		100
Restricted assets:		
Customers' deposits-cash		128,571
Capital assets:		
Land, improvements and construction in progress		4,002
Other capital assets, net of depreciation		<u>2,720,015</u>
Total assets		<u>4,265,828</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions		<u>113,277</u>
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LIABILITIES

Accounts payable		42,480
Other payables		9,461
Payable from restricted assets:		
Customer deposits		128,571
Noncurrent liabilities:		
Due within one year		1,865
Due in more than one year		16,787
Net pension liability		<u>264,011</u>
Total liabilities		<u>463,175</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions		<u>20,039</u>
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NET POSITION

Investment in capital assets, net of related debt		2,724,017
Unrestricted		<u>1,171,874</u>
Total net position		<u>\$ 3,895,891</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
 PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
 Year Ended June 30, 2019

Operating revenues:	
Charges for services	<u>\$ 1,123,972</u>
Operating expenses:	
Salaries	351,161
Insurance	35,873
Repairs, maintenance and supplies	141,439
Utilities	79,386
Other services and charges	359,706
Depreciation	<u>365,962</u>
Total operating expenses	<u>1,333,527</u>
Operating (loss)	<u>(209,555)</u>
Nonoperating revenues (expenses):	
Interest earned	17,666
Miscellaneous	<u>28,213</u>
Total nonoperating revenues	<u>45,879</u>
(Loss) before transfers	(163,676)
Operating transfers in	<u>355,349</u>
Change in net position	191,673
Net position at beginning of year (restated, see Note 13)	<u>3,704,218</u>
Net position at end of year	<u>\$ 3,895,891</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA
 PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF CASH FLOWS
 Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,120,841
Cash payments to suppliers for goods and services	(609,998)
Cash payments to employees for services	(314,468)
Net cash provided by operating activities	<u>196,375</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer from other funds (net)	355,349
Interfund payable decrease	14,815
Net cash provided by noncapital financing activities	<u>370,164</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Miscellaneous proceeds received	28,213
Acquisition of fixed assets	(360,977)
Net cash (used in) capital and related financing activities	<u>(332,764)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of interest	17,666
Purchase of investments	(16,875)
Net cash provided by investing activities	<u>791</u>
Net increase in cash and cash equivalents	234,566
Cash and cash equivalents:	
Beginning of year	<u>433,704</u>
End of year	<u>\$ 668,270</u>
Cash and cash equivalents at end of year consisted of:	
Unrestricted cash	\$ 539,699
Restricted cash	<u>128,571</u>
	<u>\$ 668,270</u>

(continued on next page)

TOWN OF IOWA, LOUISIANA
PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

RECONCILIATION OF OPERATING (LOSS) TO NET CASH	
PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	\$ (209,555)
Adjustments to reconcile operating (loss) to net cash	
provided by operating activities:	
Depreciation	365,962
Changes in assets and liabilities:	
(Increase) in accounts receivable and other receivables	(8,236)
Increase in accounts payable and other payables	6,406
Increase in customer deposits	5,105
Increase in noncurrent liabilities	18,652
Increase in net pension liability	28,469
Changes in deferred inflows and outflows of resources:	
(Increase) in deferred outflows related to pensions	(9,058)
(Decrease) in deferred inflows related to pensions	<u>(1,370)</u>
Net cash provided by operating activities	<u>\$ 196,375</u>

See accompanying notes to financial statements

TOWN OF IOWA, LOUISIANA

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

Note 1. Summary of Significant Accounting Policies

The Town of Iowa, Louisiana was incorporated June 26, 1952, under the provisions of the Lawrason Act. The Town operates under a Mayor-Town Council form of government.

The accounting and reporting policies of the Town of Iowa, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and Town Council of the Town of Iowa, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 and No. 61 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Consistent with these criteria, the Town of Iowa, Louisiana has determined that the Fire Protection District No. 1 of Ward 8 of Calcasieu Parish is a component unit of the Town.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government.

The Statement of Net Position and the Statement of Activities report financial information for the Town as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The various funds are grouped, in the financial statements in this report, into three broad fund categories as follows:

GOVERNMENTAL FUNDS

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specified sources" establishes that one or more specific restricted or committed revenues shall be the foundation for a special revenue fund.

Capital Projects Funds - These funds account for and report financial resources that are restricted, committed, or assigned for capital acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary fund, also in the fund financial statements, is accounted for and reported using a flow of economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds are included on the balance sheet. The operating statements for the proprietary fund present increases or decreases in net total assets.

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

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

D. 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.

E. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund balances:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net position:

Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be 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.
- c. Unrestricted net position - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

F. Budgets and Budgetary Accounting

The Mayor and Town Clerk prepare a proposed budget and submit same to the Town Council prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them.

A summary of the proposed budget is published, a public hearing is held, and the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is adopted.

Any revisions that alter total expenditures of any fund must be approved by the Councilmen. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. All budgetary appropriations lapse at the end of each fiscal year.

Budgets for the General and Special Revenue Funds are adopted on a modified accrual basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Town Council.

Encumbrance accounting is not used.

G. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and certificates of deposit. The Town considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Certificates of deposit are stated at cost. At June 30, 2019, the Town had no cash equivalents.

Louisiana State Statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at cost.

H. Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the receivable.

I. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

J. Capital Assets and Depreciation

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,500.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Plant	10 to 33 years
Machinery and equipment	5 to 10 years
Furniture and fixtures	5 to 10 years

K. Property Taxes

Property taxes levied in any one year are recognized as revenues of that year.

L. Compensated Absences

It is the Town's policy to permit employees to accumulate earned, but unused, paid time off (PTO). All PTO is accrued when incurred in the government-wide and proprietary fund financial statements.

Each full-time employee shall earn PTO at the following rates for each quarter, based on years of employment with the Town:

Post probation - 1 year	44 hours per quarter
1-5 years	57 hours per quarter
5-10 years	69 hours per quarter
10+ years	81 hours per quarter

Employees may also receive compensatory time off with pay in lieu of overtime pay for work in excess of regular scheduled hours. Compensatory time may be accumulated up to 240 hours for regular employees and 480 hours for police and fire.

Upon separation of employment, the employee shall be paid for unused PTO/compensatory time.

Note 2. Cash, Cash Equivalent and Investments

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement which is approved by the Town Council, the Town of Iowa maintains demand and time deposits through local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district. The Town's bank demand and time deposits at year end were not fully collateralized.

The deposits at June 30, 2019 are as follows:

June 30, 2019	<u>Demand Deposits</u>	<u>Time Deposits</u>
Carrying amount	\$ 3,985,611	\$ 181,035
Bank balances:		
a. Federally insured	\$ 617,782	\$ 181,035
b. Collateralized by securities held by the pledging financial institution	3,357,657	-
c. Uncollateralized and uninsured	<u>125,491</u>	<u>-</u>
Total bank balances	\$ <u>4,100,930</u>	\$ <u>181,035</u>

Investments held at June 30, 2019, consist of \$6,933,706 in the Louisiana Asset Management Pool Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). Of this amount, \$5,000 was restricted for a construction deposit. LAMP is administered by LAMP Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of 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. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Interest rate risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments to United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having a principal office in the State of Louisiana. Local governments in Louisiana are authorized to invest in LAMP. The Town has no investment policy that would further limit its investment choices. As of June 30 2019, the Town's investment in LAMP was rated AAAm by Standard & Poor's.

Concentration of credit risk. The Town places no limit on the amount the Town may invest in any one issuer. All of the Town's investments are in LAMP.

As of June 30, 2019, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Certificates of deposit	\$ 181,035	\$ 181,035	\$ -	\$ -	\$ -
LAMP	6,933,706	6,933,706	-	-	-
	<u>\$ 7,114,741</u>	<u>\$ 7,114,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3. Individual Fund Transactions

Individual fund interfund receivables and payables are as follows:

	Receivables	Payables
General Fund	\$ -	\$ 26,493
Sales Tax Fund - Water Improvements	-	105,777
Sales Tax Fund - Streets II	46,935	-
Sales Tax Fund - Sales Tax III	30,785	-
Non-major Governmental funds	20,265	-
Water Utility Fund	34,285	-
	<u>\$ 132,270</u>	<u>\$ 132,270</u>

Operating transfers:

	Transfers In	Transfers Out
General Fund:		
Non-major Governmental Fund	\$ 126,717	\$ -
Sales Tax Water Improvements:		
Water Utility Fund	-	355,348
Non-major Governmental Fund	-	11,972
Total Sales Tax Water Improvements	-	<u>367,320</u>
Water Utility Fund:		
Sales Tax Water Improvements	<u>355,348</u>	-
Non-major Governmental Funds:		
General Fund	-	126,717
Sales Tax Water Improvements	11,972	-
Total Non-major Governmental Funds	<u>11,972</u>	<u>126,717</u>
Grand totals	<u>\$ 494,037</u>	<u>\$ 494,037</u>

Note 4. Restricted Assets

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

General Fund:	
Construction deposit	\$ 5,000
Enterprise Fund:	
Customers deposits-water and sewer maintenance services	128,571

Note 5. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning of Year (as restated)	Additions	Deletions	End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 134,670	\$ -	\$ -	\$ 134,670
Construction in progress	44,640	-	44,640	-
Total capital assets not being depreciated	<u>179,310</u>	<u>-</u>	<u>44,640</u>	<u>134,670</u>
Capital assets being depreciated:				
Buildings	2,435,138	104,585	-	2,539,723
Improvements other than buildings	528,370	64,385	-	592,755
Furniture and equipment	1,130,614	55,960	17,259	1,169,315
Vehicles	983,442	120,837	-	1,104,279
Infrastructure	<u>2,387,859</u>	<u>377,326</u>	<u>-</u>	<u>2,765,185</u>
Total capital assets being depreciated	<u>7,465,423</u>	<u>723,093</u>	<u>17,259</u>	<u>8,171,257</u>
Less accumulated depreciation for:				
Buildings	1,138,131	46,412	-	1,184,543
Improvements other than buildings	288,833	46,744	-	335,577
Furniture and equipment	814,820	91,552	17,259	889,113
Vehicles	643,287	111,766	-	755,053
Infrastructure	<u>1,093,110</u>	<u>106,682</u>	<u>-</u>	<u>1,199,792</u>
Total accumulated depreciation	<u>3,978,181</u>	<u>403,156</u>	<u>17,259</u>	<u>4,364,078</u>
Capital assets, being depreciated, net	<u>3,487,242</u>	<u>319,937</u>	<u>-</u>	<u>3,807,179</u>
Government activities capital assets, net	<u>\$ 3,666,552</u>	<u>\$ 319,937</u>	<u>\$ 44,640</u>	<u>\$ 3,941,849</u>

	Beginning of Year (as restated)	<u>Additions</u>	<u>Deletions</u>	End of Year
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 4,002	\$ -	\$ -	\$ 4,002
Construction in progress	554,909	-	554,909	-
Total Capital assets not being depreciated	<u>558,911</u>	<u>-</u>	<u>554,909</u>	<u>4,002</u>
Capital assets being depreciated:				
Plant and equipment	10,550,677	915,885	-	11,436,562
Machinery	316,319	-	-	316,319
Total capital assets being depreciated	<u>10,866,996</u>	<u>915,885</u>	<u>-</u>	<u>11,782,881</u>
Less accumulated depreciation for:				
Plant and equipment	8,514,008	345,958	-	8,859,966
Machinery	182,896	- 20,004	-	202,900
Total accumulated depreciation	<u>8,696,904</u>	<u>365,962</u>	<u>-</u>	<u>9,062,866</u>
Capital assets, being depreciated, net	<u>2,170,092</u>	<u>549,923</u>	<u>-</u>	<u>2,720,015</u>
Business-type activities capital assets, net	<u>\$ 2,729,003</u>	<u>\$ 549,923</u>	<u>\$ 554,909</u>	<u>\$ 2,724,017</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 51,619
Public safety	155,091
Highway and streets	69,861
Culture and recreation	42,525
Drainage	<u>84,060</u>
Total depreciation	<u>\$ 403,156</u>

Note 6. Long-Term Obligations

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Ending One Year
Governmental activities:					
Leases payable	\$ 25,870	\$ 71,611	\$ 51,543	\$ 45,938	\$ 22,112
Accrued leave payable	64,684	32,718	-	97,402	9,740
Net pension liabilities	<u>521,175</u>	<u>217,058</u>	<u>-</u>	<u>738,233</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 611,729</u>	<u>\$ 321,387</u>	<u>\$ 51,543</u>	<u>\$ 881,573</u>	<u>\$ 31,852</u>
Business-type activities:					
Accrued leave payable	\$ -	\$ 18,652	\$ -	\$ 18,652	\$ 1,865
Net pension liabilities	<u>235,542</u>	<u>28,469</u>	<u>-</u>	<u>264,011</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 235,542</u>	<u>\$ 47,121</u>	<u>\$ -</u>	<u>\$ 282,663</u>	<u>\$ 1,865</u>

Note 7. Capital Leases

The Town has financing leases for equipment that qualify as capital leases. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of the assets under capital lease is included in depreciation expense for the year ended June 30, 2019.

The following is a summary of property held under capital lease at June 30, 2019:

Vehicles	\$ 71,066
Accumulated amortization	<u>(2,369)</u>
	<u>\$ 68,697</u>

The following is a summary of long-term liability under capital lease at June 30, 2019:

Long-term lease payable to Ford Motor Credit at 7.75% of \$77,018, payable in annual installments of \$25,673 each, due April 22, 2021. Lease is secured by equipment under the lease.	\$ 45,938
Less current liability under capital lease	<u>22,112</u>
	<u>\$ 23,826</u>

The following is a schedule of the future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2019:

<u>Year ending June 30,</u>	
2020	\$ 25,673
2021	25,672
Amount representing interest	<u>(5,407)</u>
Present value of net minimum lease payments of which \$22,112 is included in current liabilities	<u>\$ 45,938</u>

Note 8. Ad Valorem Taxes

For the year ended June 30, 2019, taxes of 5.30 mills were levied by the Town of Iowa on property with assessed valuations totaling \$17,086,680 and were dedicated for general corporate purposes. Taxes of 9.40 mills were levied by the Fire Protection District No. 1 of Ward 8 of Calcasieu Parish on property with assessed valuations-net of exemptions totaling \$15,923,118 and were dedicated for the purpose of providing fire protection to the District.

Total taxes levied were \$90,560 and \$149,678 respectively for the Town and the District. Taxes receivable at June 30, 2019 consisted of the following:

	<u>2019</u>
Taxes receivable current roll	\$ 16,380
Taxes receivable prior years	<u>997</u>
	17,377
Allowance for uncollectible taxes	<u>(14,893)</u>
	<u>\$ 2,484</u>

Property taxes are levied November 1 and attach as an enforceable lien on property as of April 30.

Note 9. Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the Town Council) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major special revenue fund	Revenue source
Water improvements	80% of 1% sales tax described in Note 10 related to water improvements
Streets II	65% of 1% sales tax described in Note 10 related to street maintenance and construction
Streets III	½% sales tax described in Note 10 related to flood control, economic development and Town Hall and park capital improvement and maintenance
LCDBG	Capital projects funded by grants

Note 10. Dedication of Proceeds and Flow of Funds - 2.5% Sales and Use Tax

Proceeds of a 1% sales and use tax levied by the Town of Iowa, Louisiana approved by voters September 2016 to expire August 2026 (2019 collections \$767,973) is dedicated to the following purposes:

1. 80% of collections to be used for capital and other improvements of the Water Utility Fund.

Proceeds of a 1% sales and use tax levied by the Town of Iowa, Louisiana approved by voters in perpetuity beginning July 2016 (2019 collections \$767,973) are dedicated to the following purposes:

1. 65% of collections to be used for street, sidewalk, street lighting maintenance and construction, and sewerage treatment facilities maintenance and construction.
2. 35% of collections to be used for general administrative and general fund needs.

Proceeds of a 1/2% sales and use tax levied by the Town of Iowa, Louisiana approved by voters July 2012 to expire June 2022 (2019 collections \$383,987) are dedicated to the following purposes:

1. Flood control maintenance and flood control purposes.
2. Economic development activities.
3. Capital improvements and maintenance to the Town Hall and Town Park.

Note 11. Pension Plans

Plan Descriptions

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

Plan Description- MERS

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

Plan Description- MPERS

All full-time police department employees engaged in law enforcement are required to participate in MPERS providing he or she does not have to pay social security and providing he or she meets the statutory criteria. MPERS provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through MPERS in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

Benefits Provided

Retirement Benefits- MERS

Any member of Plan B hired before January 1, 2013 may retire at any age with 30 years of creditable service or at age 60 with at least 10 years of creditable service. Any member of Plan B hired on or after January 1, 2013 may retire at age 67 with at least 7 years of

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

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

Retirement Benefits- MPERS

Members of MPERS with membership beginning prior to January 1, 2013 are eligible for regular retirement after he or she has been a member of MPERS 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 or she has been a member of MPERS for 20 years of creditable service at any age with an actuarially reduced benefit. Members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent (3.33%) of the member's final compensation (employee's average salary over the 36 consecutive or joined months that produce the highest average) multiplied by the member's years of creditable service.

Members of MPERS with membership beginning on or after January 1, 2013 are eligible for regular retirement, early retirement, disability and survivor benefits 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 or she has been a member of MPERS 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 or she has been a member of MPERS 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 or she has been a member of MPERS for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

In 1999, the State Legislature authorized MPERS to establish an Initial Benefit Option program. This is available to MPERS members who are eligible for regular retirement but have not participated in DROP. This program provides both a one-time single sum payment of up to 46 months of the regular monthly retirement benefit, plus a reduced monthly retirement benefit for life.

Deferred Retirement Options

In lieu of terminating employment and accepting a service retirement allowance, any member of MERS who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. A MERS member may participate in DROP only once. During participation in the plan, employer contributions are payable, but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment, are credited to the MERS member's individual DROP account. Interest is earned when the member has completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the member may receive a lump sum from the account or a true annuity based on the account balance. If employment is not terminated at the end of the three year DROP participation period, payments into the DROP account cease and the person resumes active contributing membership in MERS.

A member of MPERS is eligible to enter DROP when he or she is eligible for regular retirement based on the members' sub plan participation. At the entry date into DROP, employee and employer contributions cease. The amount deposited into the DROP account for MPERS members is equal to the benefit computed under the retirement plan elected by participant date of application. Interest is earned when the MPERS member has completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the MPERS member may receive a lump sum from the account or a true annuity based on the account balance.

Disability Benefits

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

A member of MPERS is eligible to retire and receive a disability benefit if he or she has been certified as disabled by the State Medical Disability Board. If the disability incurred is job-related, there is no minimum creditable service requirement. If the disability is non-job-related, a minimum of 10 years of creditable service is required if the member was employed on or after July 1, 2008. Members of MPERS employed prior to July 1, 2008 must have a minimum of 5 years of creditable service to be eligible to retire with disability benefits if the disability incurred is non-job-related. The disability benefit received by a MPERS member is equal to three percent of his or her final average compensation multiplied by years of creditable service (not less than 40%, nor more than 60% of final average compensation). At the time the disabled MPERS member reaches normal retirement age, he or she will have the option to continue to receive the disability retirement benefit or to receive his or her vested retirement benefit.

Survivor's Benefit

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

Survivor benefits for MPERS members are payable to the surviving spouse or surviving minor child/children of a deceased active contributing member or a deceased disability retiree. Survivor benefits are not payable to survivors of retirees receiving benefits under the provisions of early or normal service retirement. The maximum benefit for a surviving spouse of a MPERS member is equal to the regular retirement formula, regardless of age, but not less than 40% or more than 60% of the deceased member's final average compensation. There is no requirement for minimum years of creditable service. If the MPERS member is killed in the line of duty, the surviving spouse shall receive a benefit equal to 100% of the deceased member's final average compensation, less any survivor benefits payable to a child or children. Each surviving minor child of the MPERS member will receive a benefit equal to 10% of deceased member's final average compensation or \$200 per month, whichever is greater. Benefits for a surviving child cease upon the child's attainment of age 18 or upon marriage, whichever occurs first. The benefit may continue after age 18 if the child meets certain educational or disability requirements. The surviving minor child may receive an increased benefit if there is no surviving spouse of the MPERS member.

Cost of Living Increases

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

MPERS is authorized to provide annual cost of living adjustments to members who have been retired for at least one full fiscal year. The adjustment cannot exceed 3% in any given year. MPERS members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Contributions

The MERS and MPERS employer contribution rates are established annually under La R.S 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the system's actuary. Each plan pays a separate actuarially-determined employer contribution rate. For the year ending June 30, 2019 the employer contribution rate for MERS Plan B was 14.00% and MPERS was 32.25%. Employer contributions to MERS and MPERS were \$69,670 and \$66,407, respectively, for the year ended June 30, 2019. Employees participating in MERS are required to contribute 5.00% and employees participating in MPERS are required to contribute 10.00%.

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. MERS receives ad valorem taxes and state revenue sharing funds. MPERS receives insurance premium tax monies appropriated by the legislature each year based on an actuarial study. The Town of Iowa recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2019, the Town of Iowa recognized revenue as a result of support received from non-employer contributing entities of \$15,674 for its participation in MERS and \$11,069 for its participation in MPERS.

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

At June 30, 2019, the Town of Iowa reported a liability for MERS and MPERS of \$528,021 and \$474,222, respectively, for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2018 and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The Town of Iowa's proportion of the net pension liability for each retirement system was based on a projection of the Town of Iowa'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 of Iowa's proportion for MERS and MPERS was 0.624262% and 0.056094%, respectively. This reflects an increase for MERS of 0.079804% and an increase for MPERS of 0.023377% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town of Iowa recognized pension expense, for which there were no forfeitures, as follows:

	<u>Pension Expense</u>
MERS	\$ 121,425
MPERS	<u>109,011</u>
Total	<u>\$ 230,436</u>

At June 30, 2019, the Town of Iowa 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>		
	<u>MERS</u>	<u>MPERS</u>	<u>Total</u>	<u>MERS</u>	<u>MPERS</u>	<u>Total</u>
Differences between expected and actual Experience	1,415	2,138	3,553	23,781	24,235	48,016
Changes in assumptions	19,759	30,990	50,749	-	-	-
Net difference between projected and actual earnings on pension plan investments	85,821	22,733	108,554	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	49,888	153,189	203,077	16,296	27,501	43,797
Employer contributions subsequent to measurement date	<u>69,670</u>	<u>66,407</u>	<u>136,077</u>	-	-	-
Total	<u>\$226,553</u>	<u>\$275,457</u>	<u>\$502,010</u>	<u>\$ 40,077</u>	<u>\$ 51,736</u>	<u>\$ 91,813</u>

During the year ended June 30, 2019, employer contributions totaling \$69,670 and \$66,407 were made subsequent to the measurement date for MERS and MPERS, respectively. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	<u>MERS</u>	<u>MPERS</u>
2020	\$ 56,340	\$ 76,652
2021	50,021	47,530
2022	7,782	32,308
2023	<u>2,663</u>	<u>824</u>
Total	<u>\$ 116,806</u>	<u>\$ 157,314</u>

Actuarial Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of MERS and MPERS employers as of June 30, 2018 are as follows:

	<u>MERS Plan B</u>	<u>MPERS</u>
Total pension liability	\$ 245,867,981	\$ 3,007,181,318
Plan fiduciary net position	<u>161,284,802</u>	<u>2,161,775,206</u>
Total net pension liability	<u>\$ 84,583,179</u>	<u>\$ 845,406,112</u>

The Town of Iowa's allocation is 0.624262% of the Total Net Pension Liability for MERS and 0.056094% of the Total Net Pension Liability for MPERS.

The total pension liabilities for MERS and MPERS in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	MERS	MPERS								
Actuarial cost method	Entry Age Normal	Entry Age Normal Cost								
Expected remaining service lives	3 years for Plan B	4 years								
Investment rate of return	7.275%, net of investment expense	7.20%, net of investment expense								
Inflation rate	2.6%	2.60%								
Projected salary increases	5.00% (2.6% inflation, 2.4% merit)	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Years of Service</th> <th style="text-align: center;">Salary Growth Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1-2</td> <td style="text-align: center;">9.75%</td> </tr> <tr> <td style="text-align: center;">3-23</td> <td style="text-align: center;">4.75%</td> </tr> <tr> <td style="text-align: center;">24 & over</td> <td style="text-align: center;">4.25%</td> </tr> </tbody> </table>	Years of Service	Salary Growth Rate	1-2	9.75%	3-23	4.75%	24 & over	4.25%
Years of Service	Salary Growth Rate									
1-2	9.75%									
3-23	4.75%									
24 & over	4.25%									
Cost of living adjustments	None	None								
Mortality	RP-2000 Employee Table for active members (set back 2 years for males and females); RP-2000 Healthy Annuitant table for healthy annuitants (set forward 2 years for males and 1 year for females);	RP-2000 Healthy Tables (set back 1 year for females) for healthy annuitants; RP-2000 Employee Table for active members (set back 4 years for males and 3 years for females); RP-2000								

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

The MERS and MPERS actuarial assumptions used were based on the results of separate experience studies for the period July 1, 2009 through June 30, 2014.

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return for MERS is 7.00% and MPERS is 8.03% for the year ended June 30, 2018.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for MERS and MPERS as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>MERS</u>	<u>MPERS</u>	<u>MERS</u>	<u>MPERS</u>
Equity	50%	52%	2.20%	3.58%
Fixed income	35%	22%	1.50%	0.46%
Alternatives	15%	20%	0.60%	1.07%
Other	- %	6%	- %	0.17%
Subtotal	<u>100%</u>	<u>100%</u>	4.30%	5.28%
Inflation adjustment			<u>2.70%</u>	<u>2.75%</u>
Total			<u>7.00%</u>	<u>8.03%</u>

Discount Rates

The discount rate used to measure the total pension liability for MERS was 7.275% and MPERS was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by

PERSAC taking into consideration the recommendation of the actuary. Based on those assumptions, the net position of MERS and MPERS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the Town of Iowa's proportionate share of the net pension liability using the discount rate of 7.275% for MERS and 7.20% for MPERS, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.275% for MERS and 6.20% for MPERS) or one percentage-point higher (8.275% for MERS and 8.20% for MPERS) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
MERS	\$ 692,962	\$ 528,021	\$ 387,806
MPERS	<u>666,413</u>	<u>474,222</u>	<u>312,981</u>
Total	<u>\$ 1,359,375</u>	<u>\$ 1,002,243</u>	<u>\$ 700,787</u>

Payables to the Pension Plans

At June 30, 2019, payables to MERS and MPERS were \$-0- and \$-0-, respectively, for June 2019 employee and employer legally-required contributions.

Note 12. Compensation of Mayor and Members of the Town Council

Salaries paid to the Mayor and council members during the year are as follows:

Carol Ponthieux, Mayor*	\$ 15,750
Paul Hesse, Mayor**	15,750
Joe Becnel**	2,520
Julie Fontenot	3,856
Gerald Guidry	3,856
Vernessa Guillory**	2,520
Larry Hardy*	1,124
Daniel Hennigan**	2,520
Errol Marshall*	1,336
Thomas Talbot*	1,336

* Term ended December 31, 2018

** Term began January 1, 2019

The Board members of the Fire Protection District No. 1 of Ward 8 of Calcasieu Parish received no compensation during the year ended June 30, 2019.

Note 13. Net Position

The beginning net position as reflected on the statement of activities has been restated to reflect the following adjustments:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Balance at June 30, 2018	\$ 12,296,199	\$ 3,729,918
Disposal of assets attributable to prior year*	<u>(30,833)</u>	<u>(25,700)</u>
Balance at June 30, 2018, as restated	<u>\$ 12,265,366</u>	<u>\$ 3,704,218</u>

* During the year ended June 30, 2019, the Town performed procedures to identify fixed assets that may have been disposed of in prior years. Beginning fund balance has been adjusted to reflect the identified disposals.

Note 14. Subsequent Events

Subsequent events have been evaluated through December 6, 2019, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer's Proportionate
Share of the Net Pension Liability

Schedule of Employer's Pension
Contributions

TOWN OF IOWA, LOUISIANA

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
Year Ended June 30, 2019*

Plan Year	Employer Proportionate of the Net Pension Liability (Asset)	Employer Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of It's Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
MERS:					
2018	0.624262%	\$ 528,021	\$ 462,512	114.2%	65.60%
2017	0.544458%	471,083	405,064	116.3%	63.49%
2016	0.494175%	409,626	363,493	112.7%	63.34%
2015	0.616046%	418,694	414,050	101.1%	68.71%
2014	0.597262%	280,412	402,449	69.7%	76.94%
MPERS:					
2018	0.056094%	474,222	150,351	315.4%	71.89%
2017	0.032717%	285,634	97,670	292.4%	70.08%
2016	0.039931%	374,266	103,879	360.3%	66.04%
2015	0.035060%	238,983	88,405	270.3%	70.73%
2014	0.033536%	209,804	88,595	236.8%	75.10%

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

** This schedule will contain ten years of historical information once such information becomes available

TOWN OF IOWA, LOUISIANA

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
Year Ended June 30, 2019

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a Percent of Covered Employee Payroll</u>
MERS:					
2019	\$ 69,670	\$ 69,670	\$ -	\$ 497,643	14.00%
2018	61,283	61,283	-	462,512	13.25%
2017	44,557	44,557	-	405,064	11.00%
2016	34,532	34,532	-	363,493	9.50%
2015	40,608	40,608	-	414,050	9.81%
MPERS:					
2019	66,407	66,407	-	205,914	32.25%
2018	46,233	46,233	-	150,351	30.75%
2017	31,010	31,010	-	97,670	31.75%
2016	30,644	30,644	-	103,879	29.50%
2015	27,848	27,848	-	88,405	31.50%

* This schedule will contain ten years of historical information once such information becomes available

TOWN OF IOWA, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2019

Changes to benefit terms:

There were no changes in benefit terms for the measurement period ending June 30, 2019.

Changes of Assumptions:

- Investment rate of return for MERS changed from 7.40% to 7.275%
- Investment rate of return for MPERS changed from 7.325% to 7.20%
- Inflation rate for MERS changed from 2.775% to 2.60%
- Inflation rate for MPERS changed from 2.70% to 2.60%

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Combining Balance Sheet
Combining Statement of
Revenues, Expenditures, and
Changes in Fund Balances

Schedule of Compensation Benefits
and Other Payments to Mayor

TOWN OF IOWA, LOUISIANA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

<u>ASSETS</u>	<u>Special Revenues</u>			
	<u>Parks and Streets</u>	<u>Police Asset Forfeitures</u>	<u>Sewer Improvement</u>	<u>Fire Protection</u>
Cash	\$ 289,378	\$ 5,043	\$ 9	\$ 74,123
Certificate of deposit	8,313	-	-	172,722
Taxes receivable	-	-	-	1,701
Due from other funds	21,330	-	-	-
Total assets	<u>\$ 319,021</u>	<u>\$ 5,043</u>	<u>\$ 9</u>	<u>\$ 248,546</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payables	\$ 26,035	\$ -	\$ -	\$ 211
Other payables	-	-	-	1,065
Other payables	2,750	-	-	-
Total liabilities	28,785	-	-	1,276
Fund balance:				
Restricted	290,236	5,043	9	247,270
Total liabilities and fund balances	<u>\$ 319,021</u>	<u>\$ 5,043</u>	<u>\$ 9</u>	<u>\$ 248,546</u>

<u>Capital Project</u>	<u>Total Non-major Funds</u>
LCDBG	
\$ -	\$ 368,553
-	181,035
-	1,701
-	<u>21,330</u>
<u>\$ -</u>	<u>\$ 572,619</u>

\$ -	\$ 26,246
-	1,065
-	<u>2,750</u>
-	30,061

-	<u>542,558</u>
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<u>\$ -</u>	<u>\$ 572,619</u>
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TOWN OF IOWA, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	Special Revenues			
	Parks and Streets	Police Asset Forfeitures	Sewer Improvement	Fire Protection
Revenues:				
Tax revenue	\$ 153,547	\$ -	\$ -	\$ 144,251
Interest earned	1,188	18	-	4,852
Intergovernmental	-	-	-	2,834
Fire insurance	-	-	-	13,382
Miscellaneous	5,836	-	-	30,471
Total revenues	<u>160,571</u>	<u>18</u>	<u>-</u>	<u>195,790</u>
Expenditures:				
General government	-	-	-	-
Fire protection district	-	-	-	30,820
Culture and recreation	197,411	-	-	-
Total expenditures	<u>197,411</u>	<u>-</u>	<u>-</u>	<u>30,820</u>
Excess (deficiency) of revenues over expenditures	(36,840)	18	-	164,970
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	(126,717)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(36,840)	18	-	38,253
Fund balance at beginning of year	<u>327,076</u>	<u>5,025</u>	<u>9</u>	<u>209,017</u>
Fund balance at end of year	<u>\$ 290,236</u>	<u>\$ 5,043</u>	<u>\$ 9</u>	<u>\$ 247,270</u>

<u>Capital Project</u>	<u>Total Non-major Funds</u>
<u>LCDBG</u>	
\$ -	\$ 297,798
-	6,058
-	2,834
-	13,382
-	36,307
-	356,379
8,331	8,331
-	30,820
-	197,411
8,331	236,562
(8,331)	119,817
11,972	11,972
-	(126,717)
3,641	5,072
(3,641)	537,486
\$ -	\$ 542,558

TOWN OF IOWA, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO MAYOR
Year Ended June 30, 2019

Mayor Carol Ponthieux (July 1, 2018 - December 31, 2018)

Purpose	Amount
Salary	\$ 15,750
Travel	686
Registration fees	405
Conference travel (meals and lodging)	<u>258</u>
	<u>\$ 17,099</u>

Mayor Paul Hesse (January 1, 2019 - June 30, 2019)

Purpose	Amount
Salary	\$ 15,750
Travel	194
Meals	131
Registration fees	100
Conference travel (meals and lodging)	<u>519</u>
	<u>\$ 16,694</u>

INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL
AND COMPLIANCE

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

Honorable Mayor
and Town Council
Town of Iowa
Iowa, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Iowa, Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Iowa, Louisiana's basic financial statements and have issued our report thereon dated December 6, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be material weaknesses (items 2019-001, 2019-002 and 2019-003).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Iowa, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (items 2019-004 and 2019-005).

Town of Iowa, Louisiana's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the
Legislative Auditor as a public document.

McElroy Drink & Bunch

Lake Charles, Louisiana
December 6, 2019

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TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

Yes No

Significant deficiency identified not
considered to be material weakness?

Yes None reported

Noncompliance material to financial statements
noted?

Yes No

(continued on next page)

TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2019

(Continued)

2019-001 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: As the Town grows and as new positions are added, we will ensure that sufficient segregation of duties are developed and implemented to ensure an optimal and effective control structure.

2019-002 Controls over Financing Reporting

Condition: In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable resources to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Criteria: The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Auditing guidance emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

Effect: Material misstatements in financial statements could go undetected.

TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2019

(Continued)

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

2019-003 Timely Reconciliation of Bank Accounts

Condition: During inquiry and testing, we noted that bank reconciliations for some accounts had not been prepared in a timely manner.

Criteria: According to Town policy, bank accounts should be reconciled within 10 business days after the bank statements are received.

Effect: Not reconciling bank accounts in a timely manner can lead to undetected errors that could potentially cause a material misstatement to the financial statements, resulting in incorrect monthly financial statements.

Recommendation: The Town should reconcile all bank accounts in a timely manner in accordance with their policy.

Response: The Town of Iowa agrees that timely reconciliation and review of all bank accounts should occur. The process failure (delay in reconciliation) occurred during the transfer of administration and associated reassignment of duties due to retirements and acquisition of a new accountant. In addition, a new updated review and monitoring process is being implemented for bank reconciliations which has an increased oversight review.

TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2019

(Continued)

2019-004 Deposits in Excess of Federally Insured Amounts

Condition: Deposits in excess of federally insured amounts were not fully collateralized at year end.

Criteria: Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value.

Effect: Without adequate collateral, the deposits are subject to deposit risk.

Recommendation: Management should ensure that all deposits in excess of federal insured amounts are collateralized.

Response: We recognize this issue. The Town of Iowa changed banks due to the Iowa Capital One branch closure. Historically, we have depended on each of the banks that the Town has deposits with, to maintain sufficient collateral to cover all the deposits. We will work with the financial institution which had this lapse to ensure that it does not occur again. Any repeated failure in this area will require the Town to move these accounts to those financial institution which do not have any problems in maintaining sufficient collateral. In addition, procedures will be implemented to ensure we are independently monitoring this area.

2019-005 Meals in Excess of Travel Policy

Condition: During inquiry and testing, we noted that certain meal charges on town credit cards were in excess of the specified amounts in the travel policy.

Criteria: According to Town policy, meals will be reimbursed in accordance with federal or state travel guidelines for meal allowances. The state travel guide sets the rate for lunch at \$13 and dinner at \$29 for Lafayette and Baton Rouge. The following chart details the meals in excess of travel policy:

TOWN OF IOWA, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
 Year Ended June 30, 2019
 (Continued)

City	Restaurant	Meal Cost	Participants	Cost per part.	Allowable Charge	Excess Amount
BR	Ruth's Chris (dinner)	\$ 120.00	Mayor	\$ 120.00	\$ 29.00	\$ 91.00
Laf	Fezzo's (lunch)	\$ 156.08	Mayor, Police Chief, 1 Town Employee	\$ 52.03	\$ 13.00	\$ 39.03
BR	TJ Ribs (dinner)	\$ 128.00	Mayor, Police Chief, 1 Town Employee	\$ 42.67	\$ 29.00	\$ 13.67

Effect: Failure to follow Town travel policy could lead to abuse and potential misuse of public funds.

Recommendation: We recommend that the Town ensure that all officials and employees comply with the Town travel policy.

Response: While the facts presented are correct, the interpretation is flawed. In these three cases, cost was compared to one meal, when in fact these were meals that actually covered more than one meal period. For example, the mayor's meal at Ruth Chris was one of two meals charged during a 3 day period (conference). Per diem was not billed to the town for all the other meals and this amount would have offset the listed excess. For the other listed meals, the time on the road/off-site spent covered more than one meal but only this meal was charged. From a control perspective, the Town prefers that meal costs be clearly disclosed via charges to the card and avoid any abuses that can occur using per diem. Going forward we will modify the policy to address these type of issues.

TOWN OF IOWA, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
Year Ended June 30, 2019

2018-001 Segregation of Duties

Condition: This finding was a material weakness relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current Status: The condition still exists but management is mitigating its effect through review procedures. See finding 2019-001.

2018-002 Controls over Financial Reporting

Condition: This finding was a material weakness relating to the inability of the entity to produce financial statements and footnotes in accordance with generally accepted accounting principles.

Recommendation: We recommend management mitigate the weakness by having a heightened awareness of all transactions being reported.

Current Status: This condition still exists but management is mitigating its effect through review procedures. See finding 2019-002.

2018-003 Failure to Follow the Louisiana Public Bid Law (Component Unit Finding)

Condition: It was brought to our attention that the Iowa Fire Protection District violated the Louisiana Public Bid Law in regard to the purchase of a used fire engine.

Recommendation: The Iowa Fire Protection District should follow all aspects of the Louisiana Public Bid Law.

Current Status: No bid law violations were noted during the current year.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Town Council of the Town of Iowa
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Iowa (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the Town of Iowa and the LLA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

No exceptions noted.

- 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:

No exceptions noted.

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

No exceptions noted.

- 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):

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

- 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):

No exceptions noted.

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

No exceptions noted.

- 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:

No exceptions noted.

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

No exceptions noted.

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

As of June 30, 2019, the Town did not have written procedures that addressed this area.

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:

The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.

- 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:

See note above.

- 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:

See note above.

- 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:

See note above.

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):

One bank account selected for testing was not reconciled within two months of the related statement closing date.

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

Bank reconciliations selected for testing do not have evidence of review or approval.

- 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:

We noted three bank reconciliations with checks over 12 months outstanding, in the amounts of \$37.85, \$672.00, \$20.00, and \$54.34, that did not have documentation of being researched by management.

Collections

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

The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.

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:

See note above.

- 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:

See note above.

- 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:

See note above.

- 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:

See note above.

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

See note above.

- 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. Obtain supporting documentation for each of the 10 deposits and:

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

See note above.

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

See note above.

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

See note above.

- 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):

See note above.

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

See note above.

Non-Payroll Disbursements (excluding credit 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):

No exceptions noted

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:

Not all purchases are initiated and approved by two people.

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

No exceptions noted.

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

The employee responsible for processing payments is not prohibited from modifying the approved vendor list.

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

The employee responsible for processing payments also mails the checks after they have been signed.

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:

No exceptions noted.

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

Three of the five disbursements tested lacked any evidence that two employees were involved in initiating the purchase.

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.

No exceptions noted

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.]

The five statements selected did not have evidence of written approval.

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

No exceptions noted

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 of 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):

The following cards selected did not have a documented business purpose for one or more charges: Card One- one charge (total of one charge on selected statement), Card Two- one charge (total of six charges on selected statement), Card Three- five charges (total of five charges on selected statement), and Card Four- three charges (total of three charges on selected statement). The fifth card selected had one meal charge not supported by an itemized receipt (\$128.00 at TJ Ribs for three people). Also, the fifth card selected had three instances of meal charges in excess of allowable state travel rates, which was a violation of Town policy. These charges were Ruth's Chris for \$120.00 (one person for dinner), Fezzo's Seafood for \$156.08 (three people for lunch), and TJ Ribs for \$128.00 (three people for dinner).

Travel and Expense Reimbursement

14. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period and management's representation that the listing 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:

No exceptions noted.

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

No exceptions noted.

- 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):

No exceptions noted.

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

No exceptions noted.

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. 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:

The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.

- 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:

See note above.

- 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):

See note above.

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

See note above.

- 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:

See note above.

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 five employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files:

No exceptions noted.

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):

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

- 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:

No exceptions noted

- 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:

No exceptions noted

Ethics

- 20. Using the five 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:

No exceptions noted.

- 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:

No exceptions noted.

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:

Not applicable.

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:

Not applicable.

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:

The procedures in this category were excluded, as allowed by the Legislative Auditor "Rotation of Procedures" policy, due to this category having no exceptions in the previous year.

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

See note above.

Management's Response and Corrective Action

Management's response and corrective action plan for exceptions noted in the above agreed-upon procedures:

- a) **Policies and Procedures:** Procedure 1(k) – We will begin documenting and formally writing out policies/procedures to cover this area. Expected completion will be around April 2020.
- b) **Bank Reconciliations:** Procedure 3(a) – The bank account missed occurred during the administration change over at the first of the year when we did not have an accountant to conduct this important activity. With the hiring of a part-time accountant, this is no longer an issue.
- c) **Bank Reconciliations:** Procedure 3(b) – The mayor does review these and question discrepancies, he does not initial/date these when they are reviewed. Going forward, we will strengthen this control to require that the Town Clerk review and sign off each reconciliation. The mayor will then conduct high level reviews quarterly and sign off as additional control. This will be completed and implemented effective Jan 2020.
- d) **Bank Reconciliations:** Procedure 3(c) – We will put in procedures to require that all outstanding checks greater than 12 months be researched to determine why they have not been cashed. The procedures will require that once the checks are greater than 15 months old and still uncashed, the funds will be remitted to the state under escheatment rules.
- e) **Non-Payroll Disbursements:** Procedure 9(a) – Currently, we are not sufficiently staffed to break out this activity. However, we do have compensating controls, such as requiring any purchases greater than \$5,000 to be approved by the mayor or his designate. In addition, any spending under this level still needs the supporting documentation such as bids, cost evaluations, and other support to show that these are in the best interest of the Town. This is all reviewed when the checks are signed by the mayor and the council member signing the check as a final control.
- f) **Non-Payroll Disbursements:** Procedure 9(c) – Currently, we are not sufficiently staffed to break out this activity, however, we will put in procedures to ensure reports and/or processes exist so that any changes to vendor listings (add/modify) are highlighted and reviewed. This should be in place by March 2020.
- g) **Non-Payroll Disbursements:** Procedure 9(d) – We will determine what changes need to be made to address this and expect something to be in place by March 2020.
- h) **Non-Payroll Disbursements:** Procedure 10(b) – See our response to 9a above.
- i) **Credit Cards/Debit Cards/Fuel Cards/P-Cards:** Procedure 12(a) – Our control process is sufficiently rigorous and is based on when the checks for reimbursement of the cards are made. While we do not initial off on the statement, the statement is attached to the check as support and the two people signing the check have the opportunity to review the specific spending and statements and question anything before signing the check. Initialing off on the statement does not improve the control, and if you want to know who reviewed the support, look to the check signers who have the opportunity to review this.

- j) **Credit Cards/Debit Cards/Fuel Cards/P-Cards:** Procedure 13 – We will be improving our procedures to require that business purposes be added for all card purchases as well as documented details such as individuals having the meals, the detailed meal if available or document why details were not available. We will also be updating the Town's policy to address travel rates and the use of cards. We would prefer that individual's charge meals to cards, instead of taking per diem to better insure purpose of the meals especially given the unreasonableness of the meal rates and to ensure that employees actually eat. For example for the Ruth Chris charge, the employee did not take 2 ½ days per diem but did charge for this one meal. This control does not take into consideration that extenuating circumstance.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 for the information and use of the Town of Iowa and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

M. Elroy Quirk + Bush

Lake Charles, Louisiana
December 6, 2019