

TOWN OF MANGHAM, LOUISIANA

*Financial Statements
For the Year Ended June 30, 2018*

TOWN OF MANGHAM, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2018
With Supplemental Information Schedules

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TOWN OF MANGHAM, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2018
With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen of
The Town of Mangham, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Town of Mangham, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5-10), budgetary comparison information (page 32) and the schedules of employer's share of net pension liability (page 35), and the schedules of contributions to pension plans (page 36) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurances.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mangham, Louisiana basic financial statements. The Schedule of Compensation, Benefits, Reimbursements, and other Payments to Agency Head or Executive Officer and the Schedule of Compensation Paid to Elected Officials are presented for purposes of additional analysis and are not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer and the Schedule of Compensation Paid to Elected Officials are the responsibility of management and were derived directly from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer and the Schedule of Compensation Paid to Elected Officials are fairly stated in all material respects in relation to the financial statements as a whole.

Honorable Mayor and Board of Aldermen of
Town of Mangham, Louisiana
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 19, 2018, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Town of Mangham, Louisiana's internal control over financial reporting and compliance.

David M. Aard, CPA (APAC)

West Monroe, Louisiana
December 19, 2018

REQUIRED SUPPLEMENTAL INFORMATION (PART A)
MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF MANGHAM, LOUISIANA
Management Discussion and Analysis
As of and for the Year Ended June 30, 2018

Management's Discussion and Analysis is a fact-based analysis of the Town's financial activities during the fiscal year ended June 30, 2018. Its purpose is to provide an overview of activities within the Town based on currently known facts, decision, and conditions.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The Town of Mangham has adopted the GASB 68 reporting requirements concerning retirements.

As with other sections of the financial report, the information contained within the MD&A should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplementary Information ("RSI") that is provided in addition to this Management Discussion and Analysis.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$3,193,657 (net position). Of this amount, \$1,475,958 (unrestricted net position) represents the portion of net position that is not invested in capital assets or otherwise restricted.
- The government's total net position increased by \$6,654.
- As of the close of the current fiscal year, the Town's governmental activities reported combined ending net position of \$1,433,639, an increase of \$102,613 in comparison with the prior year. Of this total amount, \$1,090,514 is available for spending at the government's discretion (unassigned fund balance).
- The Town's total debt decreased by approximately \$7,705 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Mangham's basic financial statements. The Town of Mangham's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Mangham's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Town of Mangham's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Mangham is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses

Town of Mangham, Louisiana
Management Discussion and Analysis (continued)

are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town of Mangham that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Mangham include general government, public safety, sanitation, public works and Community Center. The business-type activities of the Town of Mangham include water and sewer.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Mangham like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Mangham can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Mangham maintains 2 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Sales Tax Fund all of which are considered to be major funds.

The Town of Mangham adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

Proprietary funds. The Town of Mangham maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information the government-wide financial statements, only in more detail.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Town of Mangham, Louisiana
Management Discussion and Analysis (continued)

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Mangham's compliance with budgets for its major funds.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Mangham, assets exceeded liabilities by approximately \$3,193,657 at the close of the most recent fiscal year.

By far the largest amount of the Town of Mangham's net assets (\$1,692,391) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Mangham uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Mangham's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Totals	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current & other assets	\$1,113,558	\$972,510	\$433,662	\$420,901	\$1,547,220	\$1,393,411
Capital assets	343,125	371,219	1,806,700	1,918,750	2,149,825	2,289,969
Total assets	<u>\$1,456,683</u>	<u>\$1,343,729</u>	<u>\$2,240,362</u>	<u>\$2,339,651</u>	<u>\$3,697,045</u>	<u>\$3,683,380</u>
Deferred Outflows	\$10,397	\$15,688	\$0	\$0	\$10,397	\$15,688
Current & other liabilities	\$6,499	\$4,565	\$22,910	\$18,535	\$29,409	\$23,100
Net pension liability	26,371	24,856	\$0	\$0	26,371	24,856
Long-term liabilities	0	0	457,434	465,139	457,434	465,139
Total liabilities	<u>\$32,870</u>	<u>\$29,421</u>	<u>\$480,344</u>	<u>\$483,674</u>	<u>\$513,214</u>	<u>\$513,095</u>
Deferred Inflows	\$571	\$1,709	\$0	\$0	\$571	\$1,709
Net Position:						
Invested in Capital Assets						
net of related debt	\$343,125	\$371,219	\$1,349,266	\$1,453,611	\$1,692,391	\$1,824,830
Restricted	0	0	25,308	22,644	25,308	22,644
Unrestricted	1,090,514	957,068	385,444	379,722	1,475,958	1,336,790
Total net position	<u>\$1,433,639</u>	<u>\$1,328,287</u>	<u>\$1,760,018</u>	<u>\$1,855,977</u>	<u>\$3,193,657</u>	<u>\$3,184,264</u>

The balance of \$1,090,514 in unrestricted net position in the governmental activities represents the accumulated results of all past year's operations. Net position increased by \$6,654 overall from the prior year. The changes in net position are discussed later in this MD&A.

Governmental activities. Governmental activities increased the Town of Mangham's net position by \$102,613. Key elements of the changes in net position are as follows:

Town of Mangham, Louisiana
Management Discussion and Analysis (continued)

TOWN OF MANGHAM CHANGES IN NET POSITION
06/30/2018 and 2017

	Governmental Activities		Business-Type Activities		Totals	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Revenues:						
Program Revenues:						
Charges for services	272,754	198,135	\$130,665	\$146,164	\$403,419	\$344,299
Operating grants & contributions	10,000	11,000	0	0	10,000	11,000
Capital grants & contributions	3,518	98,948	0	0	3,518	98,948
General Revenues:					0	0
Property taxes	20,718	46,325	0	8,364	20,718	54,689
Sales taxes	91,381	89,205			91,381	89,205
Other taxes	15,406	14,755			15,406	14,755
Other general revenues	51,762	70,103	4,529	738	56,291	70,841
Total revenues	<u>465,539</u>	<u>528,471</u>	<u>135,194</u>	<u>155,266</u>	<u>600,733</u>	<u>683,737</u>
Expenses:						
General Government	101,156	98,284			101,156	98,284
Public Safety and Protection	181,496	169,964			181,496	169,964
Public Works	40,502	51,977			40,502	51,977
Sanitation	28,676	25,140			28,676	25,140
Culture and Recreation	11,096	11,227			11,096	11,227
Water			149,222	143,286	149,222	143,286
Sewer			63,065	63,421	63,065	63,421
Interest on long term debt			18,866	19,119	18,866	19,119
Total expenses	<u>362,926</u>	<u>356,592</u>	<u>231,153</u>	<u>225,826</u>	<u>594,079</u>	<u>582,418</u>
Increase (decrease) in net position before transfe	102,613	171,879	(95,959)	(70,560)	6,654	101,319
Transfers	0	0	0	0	0	0
Increase (decrease) in net position	<u>\$102,613</u>	<u>\$171,879</u>	<u>(\$95,959)</u>	<u>(\$70,560)</u>	<u>\$6,654</u>	<u>\$101,319</u>

Expenses are classified by functions/programs. General government accounts for approximately \$101,000 while public safety, public works, sanitation, and community center accounts for approximately \$262,000 for the fiscal year 2018. The related program revenues for fiscal 2018 directly related to these expenses totaled \$273,000 which resulted in net program revenues of \$77,000. The remaining balance of expenses represents the cost to the taxpayers. The costs of governmental activities exceeding restricted state and federal grants are paid primarily from the following sources:

- Sales tax revenues are the largest and most significant source of revenue for the Town of Mangham. It provides approximately \$91,000 of general fund revenue.
- Insurance premium taxes are the second largest revenue source to the Town, generating approximately \$43,000 of general fund revenue.

Business-type activities. Business-type activities decreased the Town of Mangham's net position by approximately \$96,000. Key elements of this decrease are as follows.

- Water Fund activities decreased net position by approximately \$50,000.
- Sewer Fund activities decreased net position by approximately \$46,000.

Town of Mangham, Louisiana
Management Discussion and Analysis (continued)

Financial Analysis of the Government's Funds

As noted earlier, the Town of Mangham uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town of Mangham's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Mangham's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Mangham's governmental funds reported combined ending fund balances of \$1,090,514 an increase of \$133,446 in comparison with the prior year. All of this total amount (\$1,090,514) constitutes unreserved fund balance, which is available for spending at the Town's discretion.

General Fund Budgetary Highlights

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA- R.S 39:1301 et seq), the Town of Mangham must adopt a budget for the General Fund and all Special Revenue funds prior to June 30. The original budget for the Town was adopted in June 2017 with one amendment for the year.

Revenues: Overall revenues for the General Fund were projected to decrease during FY 2018 by \$53,000 from the previous year. All other revenues were expected to remain the same for 2018.

Expenditures: General governmental expenditures comprise 28% of the General Funds Appropriations.

Capital Asset and Debt Administration

Capital assets. The Town of Mangham's investment in capital assets for its governmental and business type activities as of June 30, 2018, amounts to \$2,149,825 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment and street improvements.

The police department purchased two radios in the fiscal year with a grant from Homeland Security. No other assets were purchased during the year.

Town of Mangham, Louisiana
 Management Discussion and Analysis (continued)

Town of Mangham Capital Assets

	<u>6/30/2018</u>	<u>6/30/2017</u>
Land	\$43,750	\$43,750
Building & Improvements	178,611	178,611
Machines & Equipment	90,204	86,684
Vehicles	53,675	53,675
Infrastructure	257,233	257,233
Construction in Progress	81,520	81,520
Sewer System	967,870	967,870
Water System	<u>2,290,183</u>	<u>2,290,183</u>
Total	3,963,046	3,959,526
Less Accumulated Depreciation	<u>(1,813,221)</u>	<u>(1,669,557)</u>
Total Capital Assets	<u>\$2,149,825</u>	<u>\$2,289,969</u>

Town of Mangham Outstanding Debt

Water Notes	\$457,434	\$465,139
Sewer Notes	<u>0</u>	<u>0</u>
	<u>\$457,434</u>	<u>\$465,139</u>

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the Town of Mangham's budget for the 2018 fiscal year included the impact that the property tax reassessments that were completed which increased property values for the Town and determining the amount of revenue that will be generated from sales tax. Sales taxes account for approximately 17% of the Town's total revenue. With current economic conditions, sales tax revenue is projected to remain flat for the next fiscal year. An increase ad valorem tax is expected due to the renewal of those taxes in 2018. All other revenues are expected to remain constant.

Requests for Information

This financial report is designed to provide a general overview of the Town of Mangham's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Clerk, Post Office 94 Mangham, Louisiana 71295.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF MANGHAM, LOUISIANA

Statement of Net Position

June 30, 2018

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$610,625	\$859,826	\$1,470,451
Receivables (net of allowances for uncollectibles)	56,227	20,542	76,769
Internal balances	446,706	(446,706)	0
Capital assets (net)	343,125	1,806,700	2,149,825
TOTAL ASSETS	1,456,683	2,240,362	3,697,045
DEFERRED OUTFLOWS OF RESOURCES			
Pension	10,397	0	10,397
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,397	0	10,397
LIABILITIES			
Accounts, salaries, and other payables	6,499	22,910	29,409
Capital leases payable	-	-	-
Loans payable	-	457,434	457,434
Net pension liability	26,371	-	26,371
TOTAL LIABILITIES	32,870	480,344	513,214
DEFERRED INFLOWS OF RESOURCES			
Pension	571	0	571
TOTAL DEFERRED INFLOWS OF RESOURCES	571	0	571
NET POSITION			
Net investment in capital assets	343,125	1,349,266	1,692,391
Restricted for debt service	-	25,308	25,308
Unrestricted	1,090,514	385,444	1,475,958
TOTAL NET POSITION	1,433,639	1,760,018	\$3,193,657

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA

Statement of Activities

For the Year Ended June 30, 2018

	Program Revenues				Net (Expenses)/ Revenue	Net (Expenses) Revenues and Changes of Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions		Governmental Activities	Business-type Activities	Total
Governmental Activities								
General government	\$101,156		\$10,000		(\$91,156)	(\$91,156)		(\$91,156)
Public safety and protection	181,496	236,134		3,518	\$58,156	58,156		58,156
Public works	40,502				(\$40,502)	(40,502)		(40,502)
Sanitation	28,676	25,970			(\$2,706)	(2,706)		(2,706)
Culture & Recreation	11,096	10,650			(\$446)	(446)		(446)
Total Governmental Activities	<u>362,926</u>	<u>272,754</u>	<u>10,000</u>	<u>3,518</u>	<u>(76,654)</u>	<u>(76,654)</u>		<u>(76,654)</u>
Business-type Activities								
Water	168,088	114,252			(\$53,836)		(53,836)	(53,836)
Sewer	63,065	16,413			(\$46,652)		(46,652)	(46,652)
Total Business-type Activities	<u>231,153</u>	<u>130,665</u>		<u>0</u>	<u>(100,488)</u>		<u>(100,488)</u>	<u>(100,488)</u>
Total Primary Government	<u>\$594,079</u>	<u>\$403,419</u>	<u>\$10,000</u>	<u>\$3,518</u>	<u>(\$177,142)</u>	<u>(\$76,654)</u>	<u>(\$100,488)</u>	<u>(\$177,142)</u>
General Revenues:								
Property taxes						\$20,718		\$20,718
Sales taxes						91,381		91,381
Franchise taxes						15,406		15,406
Occupational licenses						42,869		42,869
Investment earnings						474	1,154	1,628
Other general revenues						8,419	3,375	11,794
Transfers						0		0
Total general revenues and transfers						<u>179,267</u>	<u>4,529</u>	<u>183,796</u>
Change in Net Position						<u>102,613</u>	<u>(95,959)</u>	<u>6,654</u>
Net position-beginning restated						<u>1,331,026</u>	<u>1,855,977</u>	<u>3,187,003</u>
Net position-ending						<u>\$1,433,639</u>	<u>\$1,760,018</u>	<u>\$3,193,657</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA

Balance Sheet, Governmental Funds

June 30, 2018

ASSETS	GENERAL FUND	MAJOR FUNDS SALES TAX FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash and cash equivalents	\$565,251	\$45,374	\$610,625
Receivables (net of allowances for uncollectibles)	47,054	9,173	56,227
Due from other funds	446,706	46,078	492,784
TOTAL ASSETS	\$1,059,011	\$100,625	\$1,159,636
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts, salaries, and other payables	6,499	0	6,499
Due to other funds	46,078	0	46,078
Total Liabilities	52,577		52,577
Fund balances:			
Assigned		100,625	100,625
Unassigned	1,006,434		1,006,434
Total Fund Balances	1,006,434	100,625	1,107,059
TOTAL LIABILITIES AND FUND BALANCES	\$1,059,011	\$100,625	\$1,159,636

**Reconciliation of The Governmental Fund Balance Sheet
to The Government-Wide Financial Statement of Net Position, June 30, 2018**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balances, Total Governmental Funds:	\$1,107,059
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Governmental assets	704,993
Less Accumulated Depreciation	<u>(361,868)</u>
	343,125
Retirement payments are reported as expenditures in the governmental funds. In the government-wide statements the payments and other state retirement system deferrals are reported as Deferred Outflows-Pension	10,397
Government-wide statements report the Town's share of state retirement system deferrals as Deferred Inflows-Pension	(571)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds:	
Net Pension Liability	<u>(26,371)</u>
Net Position of Governmental Activities (Statement A)	<u>\$1,433,639</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA
Statement of Revenues, Expenditures and
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	GENERAL FUND	MAJOR FUNDS SALES TAX FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes:			
Sales and use	\$ -	\$91,381	\$91,381
Franchise tax	15,406		15,406
Ad valorem tax	20,718		20,718
Licenses and permits	42,869		42,869
Intergovernmental revenues:			
State funds:			
Grant	13,518		13,518
Charges for services	36,620		36,620
Fines and forfeitures	236,134		236,134
Investment earnings	268	206	474
Other revenues	7,663		7,663
Total Revenues	<u>373,196</u>	<u>91,587</u>	<u>464,783</u>
EXPENDITURES			
General government	88,541	1,054	89,595
Public safety and protection	168,213		168,213
Public works	26,242		26,242
Sanitation	28,676		28,676
Culture and recreation	9,527		9,527
Capital outlay	3,518		3,518
Total Expenditures	<u>324,717</u>	<u>1,054</u>	<u>325,771</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	48,479	90,533	139,012
OTHER FINANCING SOURCES (USES)			
Transfers in	90,533		90,533
Transfers out	0	(90,533)	(90,533)
Total Other Financing Sources and Uses	<u>90,533</u>	<u>(90,533)</u>	<u>0</u>
Net Change in Fund Balance	139,012	0	139,012
Fund balances -- beginning	867,320	100,625	967,945
Fund balances -- ending	<u>\$1,006,332</u>	<u>\$100,625</u>	<u>\$1,106,957</u>

**Reconciliation of The Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Fund
To the Statement of Activities**

For the Year Ended June 30, 2017

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

Net Change in Fund Balances, Total Governmental Funds \$139,012

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

Capital Outlay	3,518	
Depreciation Expense	<u>(34,351)</u>	(30,833)

Governmental funds report retirement expenditures as a payment when remitted to the retirement system. However, in the government-wide statement of activities, retirement is reported based on the allocation stated in the retirement system report. (6,322)

Government-wide statement of activities reports the Town's share of Non-employers pension contribution as part of general revenue. 756

Change in Net Position of Governmental Activities, Statement B \$102,613

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA

Statement of Net Position, Proprietary Funds

June 30, 2018

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	(Major Enterprise Funds) WATER FUND	SEWER FUND	TOTAL ENTERPRISE FUNDS
ASSETS			
Current Assets:			
Cash and cash equivalents	\$789,487	\$70,339	\$859,826
Receivables (net of allowances for uncollectibles)	19,014	1,528	20,542
Total Current Assets	808,501	71,867	880,368
Non-Current Assets:			
Capital assets (net of accumulated depreciation)	1,394,576	412,124	1,806,700
Total Non-Current Assets	1,394,576	412,124	1,806,700
TOTAL ASSETS	\$2,203,077	\$483,991	\$2,687,068
LIABILITIES			
Current Liabilities:			
Accounts, salaries, and other payables	\$3,787	\$958	\$4,745
Customer Deposits Refundable	18,165	0	18,165
Due to other funds	138,369	308,337	446,706
Total Current Liabilities	160,321	309,295	469,616
Non Current Liabilities:			
Notes Payable-USDA	457,434	0	457,434
Total Non-Current Liabilities	457,434	0	457,434
NET POSITION			
Invested in capital assets, net of related debt	937,142	412,124	1,349,266
Restricted for debt service	25,308	0	25,308
Unrestricted	622,872	(237,428)	385,444
TOTAL NET POSITION	\$1,585,322	\$174,696	\$1,760,018

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

For the Year Ended June 30, 2018

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	(Major Enterprise Funds)		TOTAL
	WATER FUND	SEWER FUND	ENTERPRISE FUNDS
Operating Revenues			
Charges for services:			
Water sales	\$112,102	\$0	\$112,102
Sewer charges	0	16,413	16,413
Other services	2,150	0	2,150
Total Operating Revenues	<u>114,252</u>	<u>16,413</u>	<u>130,665</u>
Operating Expenses			
Salaries and wages	11,779	11,779	23,558
Materials and supplies	26,422	8,968	35,390
Other services and charges	24,983	16,305	41,288
Depreciation	86,038	26,013	112,051
Total Operating Expenses	<u>149,222</u>	<u>63,065</u>	<u>212,287</u>
Operating Income (Loss)	<u>(34,970)</u>	<u>(46,652)</u>	<u>(81,622)</u>
Nonoperating Revenues (Expenses)			
Property Taxes	0	0	0
Miscellaneous	3,375	0	3,375
Interest earnings	907	247	1,154
Interest expense	(18,866)	0	(18,866)
Total Nonoperating Revenues (Expenses)	<u>(14,584)</u>	<u>247</u>	<u>(14,337)</u>
Income (Loss) Before Contributions and Transfers	<u>(49,554)</u>	<u>(46,405)</u>	<u>(95,959)</u>
Capital Contributions	0	0	0
Transfers In	0	0	0
Transfer Out	0	0	0
Change in Net Position	<u>(49,554)</u>	<u>(46,405)</u>	<u>(95,959)</u>
Total Net Position-Beginning	1,634,876	221,101	1,855,977
Total Net Position-Ending	<u>\$1,585,322</u>	<u>\$174,696</u>	<u>\$1,760,018</u>
Reconciliation			
Changes in Net Position Above			<u>(\$95,959)</u>
Adjustment to consolidate internal service activities related to enterprise activities			<u>0</u>
Changes in Net Position of Business-type Activities, Statement B			<u>(\$95,959)</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA
Statement of Cash Flows, Proprietary Funds
For the Year Ended June 30, 2018

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS		
	(Major Enterprise Funds) WATER FUND	SEWER FUND	TOTAL ENTERPRISE FUNDS
Cash Flows From Operating Activities			
Receipts from customers and users	\$107,432	\$16,403	\$123,835
Payments to suppliers	(27,000)	(7,093)	(34,093)
Payments to employees	(11,779)	(11,779)	(23,558)
Net Cash Provided by Operating Activities	<u>68,653</u>	<u>(2,469)</u>	<u>66,184</u>
Cash Flows From NonCapital Financing Activities			
Property Taxes	0	0	0
Miscellaneous	3,375	0	3,375
Transfers to/from other funds	0	0	0
Net Cash Provided (used) by Noncapital Financing Activities	<u>3,375</u>	<u>0</u>	<u>3,375</u>
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	0	0	0
Proceeds from capital debt	0	0	0
Proceeds from sale of capital assets	0	0	0
Principal paid on capital debt	(7,705)	0	(7,705)
Interest paid on capital debt	(18,866)	0	(18,866)
Net Cash Provided (used) by Capital and Related Financing Activities	<u>(26,571)</u>	<u>0</u>	<u>(26,571)</u>
Cash Flows From Investing Activities			
Interest and dividends received	907	247	1,154
Net Cash Provided (used) by Investing Activities	<u>907</u>	<u>247</u>	<u>1,154</u>
Net Increase in Cash and Cash Equivalents	46,364	(2,222)	44,142
Cash and Cash Equivalents, Beginning of Year	743,123	72,561	815,684
Cash and Cash Equivalents, End of Year	<u>\$789,487</u>	<u>\$70,339</u>	<u>\$859,826</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities			
Operating income	(\$34,970)	(\$46,652)	(\$81,622)
Depreciation expense	86,038	26,013	112,051
(Increase) decrease in accounts receivable	(6,897)	(27)	(6,924)
(Increase) decrease in due from other funds	0	0	0
Increase (decrease) in allowance for uncollectible accounts	0	0	0
Increase (decrease) in customer deposits	2,625	0	2,625
Increase (decrease) in accounts payable	1,297	452	1,749
Increase (decrease) in due to other funds	20,560	17,745	38,305
Total Adjustments	<u>103,623</u>	<u>44,183</u>	<u>147,806</u>
Net Cash Provided by Operating Activities	<u>\$68,653</u>	<u>(\$2,469)</u>	<u>\$66,184</u>
Listing of Noncash Investing, Capital, and Financial Activities			
Borrowing under capital leases	0	0	0
Contributions of capital assets from government	0	0	0
Purchase of equipment on account	0	0	0
Increase in fair value of investments	0	0	0
Capital assets traded in	0	0	0

The accompanying notes are an integral part of this financial statement.

TOWN OF MANGHAM, LOUISIANA

Notes to the Financial Statements
As of and for the Year Ended June 30, 2018

INTRODUCTION

The Town of Mangham, Louisiana was incorporated March 4, 1907, under the provisions of the Lawrason Act. The Town operates under a Board of Aldermen-Mayor form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, public improvements and general administrative services. The Town has a population of approximately 650 people and employs seven people excluding the mayor and the five aldermen.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Town has oversight of other component units that are, either, blended into the Town's basic financial statements or discretely presented in a separate column in the government-wide financial statements. The Town of Mangham has no component units as of June 30, 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The Town reports the following major governmental funds:

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

The Town reports the following major proprietary funds:

The Water Fund provides water services to the citizens inside the Town's boundaries. It accounts for all revenues and expenses associated with providing water service.

The Sewer Fund provides sewer services to the citizens inside the Town's boundaries. It accounts for all revenues and expenses associated with providing sewer service.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

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

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

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

C. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments for the Town, as well as for its component units, are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town uses the allowance method for uncollectible water fees and writes off accounts when it deems them to be totally uncollectible.

E. Property Taxes

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Taxes due for:			
General Alimony	8.51	8.51	2028
Water Plant Fund			
Street Maintenance			
General fund			

Sales Taxes The Town of Mangham collects a 1% sales tax, which is not designated for a specific purpose at this time. The tax may be used for any expenditure necessary. Three of the millages expired in 2016 leaving the General Alimony to continue to be collected.

F. Restricted Assets

The Town's Water Fund has restricted assets in accordance with the loan agreement in the amount of \$25,308. An amount of \$222 per month is deposited into a reserve account per the agreement. This is to cover the loan in case of default.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$2,500 or more for capitalizing capital assets.

As permitted by GASB 34, the Town has elected not to report infrastructure assets retroactively.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The Town had no interest to capitalize under construction.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	40 Years
Furniture and fixtures	5 – 10 Years
Vehicles	5 Years
Equipment	7 – 15 Years
Sewer system	20 – 40 Years
Water system	20 – 40 Years

H. Compensated Absences

Full time employees of the Town earn 5/6 working days per year of 30 days for each month worked for annual leave. Annual leave cannot be accumulated therefore no accrual has been made.

Employees can earn up to 15 days of sick leave each year. Employees are not paid for accumulated sick leave upon termination, therefore, no accrual has been made.

I. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

J. Fund Equity

GASB Statement No. 54 establishes standards for five fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in government funds. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

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

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

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

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

Assigned Fund Balance – This classification reflects the amounts constrained by the town's "intent" to be used for specific purposes, but are neither restricted nor committed. The town aldermen and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

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

When both restricted and unrestricted resources are available for use, it is the town's policy to use externally restricted resources first, then unrestricted resources – committed, assigned and unassigned – in order as needed.

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION. The Town uses the following budget practices:

Preliminary budgets for the ensuing fiscal year are prepared by the Town Clerk during May of each year. Prior to June 15, the Mayor submits to the Board of Aldermen, a proposed budget for the fiscal year commencing the following July 1. The availability of the proposed budget for public inspection and the date of the next meeting on the budget are then advertised in the official journal. The budget is then adopted during the meeting prior to June 30. All annual appropriations lapse at year-end.

The budget comparison statements included in the accompanying financial statements reflect the original adopted budget and all amendments made. Accounting principles applied for purposes of developing data on a budgetary basis and those used to present financial statements in conformity with generally accepted accounting principles are the same and no adjustment is necessary to convert the actual GAAP data to the budgetary basis.

3. CASH AND CASH EQUIVALENTS

At June 30, 2018 the Town has cash and cash equivalents (book balances) totaling \$1,470,451 as follows:

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

	General Fund	Sales Tax Fund	Proprietary Funds	Totals
Demand deposits	\$508,696		\$650,649	\$1,159,345
Interest-bearing demand deposits	5,729			5,729
Time deposits	50,826	45,374	209,177	305,377
Other				
	<u>\$565,251</u>	<u>\$45,374</u>	<u>\$859,826</u>	<u>\$1,470,451</u>

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

At June 30, 2018, the Town has \$1,487,914 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$1,386,751 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, RS 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

4. RECEIVABLES

The receivables of \$76,769 at June 30, 2018 are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Services	\$2,331	\$	\$20,092	\$22,423
Fines	44,659			44,659
Accrued Interest	64	7	450	521
Sales Tax		9,166		9,166
LGAP	0			0
Total	<u>\$47,054</u>	<u>\$9,173</u>	<u>\$20,542</u>	<u>\$76,769</u>

The proprietary funds have an allowance account of \$550 and used the direct write-off method when an account is deemed uncollectible.

5. INTERFUND RECEIVABLES/PAYABLES

Short-term cash loans between funds are considered temporary in nature. These amounts are reported as "due from/to other funds." Any residual balances outstanding between the governmental activities

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

and business-type activities are reported in the government-wide financial statements as "internal balances."

6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2018 for the primary government is as follows:

	Balance 6/30/2017	Additions	Retirements	Balance 6/30/2018
Governmental Activities:				
Nondepreciable assets:				
Land	\$43,750			\$43,750
Depreciable assets:				
Buildings & improvements	178,611			178,611
Construction in progress	81,520			81,520
Equipment	86,684	3,518		90,202
Vehicles	53,677			53,677
Street Improvements	257,233			257,233
Total capital assets being depreciated	657,725	3,518	0	661,243
Less accumulated depreciation	(327,517)	(34,351)		(361,868)
Total capital assets being depreciated, net	330,208	(30,833)	0	299,375
Total governmental activities capital assets, net	<u>\$373,958</u>	<u>(\$30,833)</u>	<u>\$0</u>	<u>\$343,125</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$10,450			\$10,450
Depreciable assets:				
Structures & Sewer System	962,683			962,683
Water Plant & Distribution	2,178,764			2,178,764
Furniture & Equipment	84,992			84,992
Construction in Progress	0			0
Vehicles	21,162			21,162
Total capital assets being depreciated	3,247,601	0	0	3,247,601
Less accumulated depreciation	(1,339,302)	(112,049)	0	(1,451,351)
Total capital assets being depreciated, net	1,908,299	(112,049)	0	1,796,250
Total business-type activities capital assets, net	<u>\$1,918,749</u>	<u>(\$112,049)</u>	<u>\$0</u>	<u>\$1,806,700</u>

Depreciation expense is charges to functions of the governmental and business-type activities as follows:

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General Government	5,240	Sewer	26,013
Public safety and protection	13,282	Water	86,036
Public works	14,261		
Sanitation	0		
Culture and recreation	1,568		
Totals	<u><u>34,351</u></u>		<u><u>112,049</u></u>

7. INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Fund	General Fund	\$306,634
Water Fund	General Fund	140,072
Special Revenues	General Fund	(46,078)
Sales Tax Fund	General Fund	46,078
Water Fund	Sewer Fund	1,704
Sewer Fund	Water Fund	(1,704)
		<u><u>\$446,706</u></u>

8. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$29,409 at June 30, 2018 are as follows:

	<u>General Fund</u>	<u>Proprietary Funds</u>	<u>Total</u>
Accounts	\$ 6,499	\$ 4,745	\$ 11,244
Other		18,165	18,165
	<u><u>\$6,499</u></u>	<u><u>\$22,910</u></u>	<u><u>\$29,409</u></u>

9. LEASES

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. All leases have been paid in full as of June 30, 2018.

10. LONG-TERM OBLIGATIONS

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

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

	Bonded Debt	USDA	Total
Long-term Obligations at Beginning of Year	\$0	\$465,139	\$465,139
Additions	0	0	0
Deductions	0	7,705	7,705
Long-term Obligations at End of Year	<u>\$0</u>	<u>\$457,434</u>	<u>\$457,434</u>

<u>Year Ending June 30, 2018</u>	Principal Payments	Interest Payments	Total
2019	8,032	18,716	26,748
2020	8,370	18,378	26,748
2021	8,721	18,027	26,748
2022	9,088	17,660	26,748
2023	9,470	17,278	26,748
2024-2049	<u>413,753</u>	<u>246,037</u>	<u>659,790</u>
Total	<u>\$457,434</u>	<u>\$336,096</u>	<u>\$793,530</u>

The water fund accounts for the USDA funding and the general fund has no long-term debt as of June 30, 2018.

A water project loan from the USDA originated on 05/09/08 at 4.125 percent interest. This loan was granted to make major improvements to the water system lines and water plant. At completion, a payment of \$16,494 was made which consisted of accrued interest to date and \$584 of principal. The monthly payments of \$2,229 began 05/09/09 for a period of 40 years.

11. RETIREMENT SYSTEMS

A. Municipal Employees' Retirement System of Louisiana (System)

Plan Description

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

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

1. Any age with 30 years of creditable service.

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

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

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

1. Age 67 with seven or more years of creditable service.
2. Age 62 with ten or more years of creditable service.
3. Age 55 with thirty or more years of creditable service.
4. Any age with twenty five years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

Generally, the monthly amount of the retirement shall consist of an amount equal to 2% of the employee's final compensation multiplied by his or her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. The System also provides death and disability benefits. Benefits are established or amended by state statute.

For the year ended June 30, 2018, the Town's total payroll for all employees was \$158,923. Total covered payroll was \$22,922. Covered payroll refers to all compensation paid by the Town to active employees covered by the Plan.

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

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2018, the actual employer contribution rate was 13.25% for Plan B, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

Under Plan B, members are required by state statute to contribute 5.00% of their annual covered salary. The contributions are deducted from the employee's wages or salary and remitted by the Town to the System monthly. The Town's contributions to the System under Plan B for the year ending June 30, 2018 were \$3,037.

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

At June 30, 2018, the Employer reported a liability of \$26,270 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town of Mangham's proportion of the Net Pension Liability was based on a projection of the

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.030362%, which was an increase of 0.000375% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$5,351 plus employer's amortization of change in proportionate share, differences between employer contributions and proportionate share of contributions, and current year contributions, which was \$971. Total pension expense for the Town of Mangham for the year ended June 30, 2018 was \$6322.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	138	571
Changes in assumptions	1,157	0
Net difference between projected and actual earnings on pension plan	5,535	0
Changes in employer's proportion of beginning net pension liability	530	0
Differences between employer and proportionate share of contributions	-1	0
Subsequent measurement contributions	3,037	0
Total	10,396	571

The \$3,037 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2019	2,456
2020	2,456
2021	2,456
2022	2,456

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017, as follows:

Valuation Date	June 30, 2017
----------------	---------------

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.400%
Inflation Rate	2.775%
Salary increases, including inflation and merit increases	5.000%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females
Disabled lives mortality	For disabled annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females
Expected remaining service lives	4 years for Plan B

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	50%	2.3%
Public fixed income	35%	1.6%
Alternatives	15%	0.7%
Totals	100%	4.6%
Inflation		2.6%
Expected arithmetic nominal return		7.2%

Discount Rate

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

TOWN OF MANGHAM, Louisiana
Notes to the Financial Statements (Continued)

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

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.4%, 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 (6.4%) or one percentage-point higher (8.4%) than the current rate:

	1.0% Decrease (6.4%)	Current Discount Rate (7.4%)	1.0% Increase (8.4%)
Employer's proportionate share of net pension liability	33,991	26,270	19,682

Plan Fiduciary Net Position

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

12. RISK MANAGEMENT

The Town is exposed to a variety of risks that may result in losses. These risks include possible losses from acts of God, injury to employees, property damage, or breach of contract. The Town manages these potential losses through purchasing insurance from several commercial insurance companies. The level of coverage has remained constant. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. The Town is not a member of a risk pool.

13. POST EMPLOYMENT BENEFITS

The Town does not provide health care, life insurance, or any other post employment benefits for its retirees.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 19, 2018, which is the day the financial statements were available to be issued, and it has been determined that no other significant events have occurred for disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTAL INFORMATION (PART B)
BUDGETARY COMPARISON SCHEDULES

TOWN OF MANGHAM, LOUISIANA

**Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual (GAAP Basis)
General Fund (and all major governmental funds)
For the Year Ended June 30, 2018**

Required Supplemental Information

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance With Final Budget Over(Under)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Sales and use	\$88,000	\$89,500	\$91,381	\$1,881
Franchise tax	15,800	16,700	15,406	(1,294)
Ad valorem tax	45,000	21,000	20,718	(282)
Other taxes, penalties, interest, etc.	0	0	0	0
Licenses and permits	31,000	30,000	42,869	12,869
Intergovernmental revenues:				
State funds:				
State revenue sharing (net)				0
Grant	15,000	10,000	13,518	3,518
Charges for services	27,100	27,100	36,620	9,520
Fines and forfeitures	155,000	210,000	236,134	26,134
Investment earnings	0	1,400	474	(926)
Other revenues	18,900	15,100	7,663	(7,437)
Total Revenues	395,800	420,800	464,783	43,983
Expenditures				
General Government	89,675	95,620	89,595	(6,025)
Public safety and protection	162,700	168,505	168,213	(292)
Public works	37,750	26,000	26,242	242
Sanitation	27,100	28,150	28,676	526
Culture and recreation	9,300	10,900	9,527	(1,373)
Capital Outlay	0	4,000	3,518	(482)
Total Expenditures	326,525	333,175	325,771	(7,404)
Excess (Deficiency) of Revenues Over (Under) Expenditures	69,275	87,625	139,012	51,387
OTHER FINANCING SOURCES (USES)				
Transfers In	86,600	88,400	90,533	(2,133)
Transfers Out	(86,600)	(88,400)	(90,533)	2,133
Total Other Financing Sources and Uses	0	0	0	0
Net Change in Fund Balance	69,275	87,625	139,012	51,387
Fund Balance (Deficit) at Beginning of Year (Restated)	967,945	967,945	967,945	0
Fund Balance (Deficit) at End of Year	\$1,037,220	\$1,055,570	\$1,106,957	\$51,387

Preliminary budgets for the ensuing fiscal year are prepared by the Town Clerk during May of each year. Prior to June 15, the Mayor submits to the Board of Aldermen, a proposed budget for the fiscal year commencing the following July 1. The availability of the proposed budget for public inspection and the date of the next meeting on the budget are then advertised in the official journal. The budget is then adopted during the meeting prior to June 30. All annual appropriations lapse at year-end.

The budget comparison statements reflect the original adopted budget and all amendments made. Accounting principles applied for purposes of developing data on a budgetary basis and those used to present financial statements in conformity with generally accepted accounting principles are the same and no adjustment is necessary to convert the actual GAAP data to the budgetary basis.

TOWN OF MANGHAM, LOUISIANA

**Schedule of Compensation, Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2018**

Chief Executive Office: John Natt, Mayor	Amount
Salary (Gross)	\$2,011
Benefits:	
Social Security & Medicare	154
Health Insurance	55
Car Allowance	0
Pension	0
Total Employer Cost	<u>2,220</u>
Travel expenditures (Conferences, etc)	618
Conferences	490
Dues	125
Grand Total	<u><u>\$3,453</u></u>

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

TOWN OF MANGHAM, LOUISIANA

Schedule of Compensation Paid Board of Aldermen
For the Year Ended June 30, 2018

<u>Board of Aldermen</u>	<u>Amount</u>
Zona McKay, Mayor Pro-Tem	260
Leslie Mizell	69
Perry Ellington	225
Anthony Killian	260
Dennis Wollerson	69
Total	<u>\$883</u>

Perry Ellington was paid for travel and conference	<u>\$362</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF MANGHAM, LOUISIANA

**Schedule of Employer's Share of Net Pension Liability
Municipal Employees Retirement System (Plan B)-GASB 68
For the Year Ended June 30, 2018**

Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
2014	0.028234%	13,255	102,248	12.96%	73.99% July 1-June 30 2014
2015	0.028991%	19,704	16,795	117.32%	66.18% July 1-June 30 2015
2016	0.029987%	24,856	22,491	110.52%	63.34% July 1-June 30 2016
2017	0.030362%	26,270	22,473	116.90%	63.49% July 1-June 30 2017

TOWN OF MANGHAM, LOUISIANA

**Schedule of Employer Contributions
Municipal Employees Retirement System (Plan B)-GASB 68
For the Year Ended June 30, 2018**

Year	Contractually Required Contributions	Contributions in Relation to Contractually Required Contributions in	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	1,596	1,596	0	16,795	9.50% July 1-June 30, 2015
2016	2,137	2,102	34	22,491	9.35% July 1-June 30, 2016
2017	2,472	2,479	(7)	22,473	11.03% July 1-June 30, 2017
2018	3,037	3,037	0	22,922	13.25% July 1-June 30, 2018

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

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Honorable Mayor and Board of Aldermen of
The Town of Mangham, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Town of Mangham, Louisiana as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated December 19, 2018.

Internal Control Over Financial Reporting

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

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 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 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 18-1 that I consider to be a significant deficiency.

To the Honorable Mayor and Board of Aldermen of
The Town of Mangham, Louisiana
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. The purpose of this report is for the information of management and the Legislative Auditor and is not intended to be or should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is to be distributed by the Legislative Auditor as a public document.

David M. Hood, CPA (APAC)

West Monroe, Louisiana
December 19, 2018

TOWN OF MANGHAM, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Honorable Mayor and Board of Aldermen of the
Town of Mangham, Louisiana

I have audited the financial statements of the Town of Mangham, Louisiana as of and for the year ended June 30, 2018, and have issued my report thereon dated December 19, 2018. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2018, resulted in an unqualified opinion.

Section I- Summary of Auditor's Results

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

Internal Control

Material Weakness yes no
Significant Deficiencies not considered to be
Material Weaknesses yes no

Compliance

Compliance Material to Financial Statements yes no

B. Federal Awards – N/A

Material Weakness Identified yes no
Significant Deficiencies not considered to be
Material Weaknesses yes no

Type of Opinion on Compliance For Major Programs (No Major Programs)

Unqualified Qualified
Disclaimer Adverse

Are their findings required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)?
N/A

C. Identification of Major Programs: N/A

Name of Federal Program (or cluster)
CFDA Number(s)

Dollar threshold used to distinguish between Type A and Type B Programs. N/A

Is the auditee a "low-risk" auditee, as defined by the Uniform Guidance? N/A

TOWN OF MANGHAM, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018 (continued)

18-1 Improving Segregation of Cash Duties

Condition:

At present, the Town Clerk of Mangham, Louisiana handles all aspects of the accounting system. She is responsible for, or has access to, the handling, recording and mailing of cash disbursements and receipts. Currently, she is the only person that is trained to do this job.

Criteria & Effect:

A fundamental concept in a good system of internal control is the segregation of duties.

Recommendation:

Although the size of the Town's accounting staff prohibits complete adherence to this concept, I believe the following practices could be implemented to improve existing internal control without impairing efficiency.

- Mail should be opened by an employee not responsible for accounting, such as the mayor or an alderman. Cash receipts could be recorded and the deposit prepared by this person.
- Cash receipts should be deposited intact daily. Holding receipts exposes the Town to loss.
- Bank statements, cancelled checks, etc. should be received by someone other than the employee maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.
- Signed checks should be also mailed without allowing them to be returned to the employee responsible for accounts payable.
- Management should review supporting documents for normal recurring disbursements (not usually reviewed) on a spot-check basis. Nonroutine testing would aid in ensuring compliance with Town policy for all disbursements.
- Credit card statements should be reviewed monthly by the mayor or an alderman.

Also, the Town should consider hiring another person to train to help the Town Clerk and assist her in her daily duties.

Response:

The Town's Aldermen have the opportunity to review the bank statements and reconciliations at each monthly Council meeting. The monthly invoices are also reviewed at that time. Two signatures are required on all checks written and the Mayor reviews each invoice prior to his signature. The cost of hiring a second employee to provide these safeguards far outweigh the benefits.

TOWN OF MANGHAM, LOUISIANA
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

17-1 Improving Segregation of Cash Duties

Condition:

At present, the Town Clerk of Mangham, Louisiana handles all aspects of the accounting system. She is responsible for, or has access to, the handling, recording and mailing of cash disbursements.

Recommendation:

Although the size of the Company's accounting staff prohibits complete adherence to this concept, we believe the following practices could be implemented to improve existing internal control without impairing efficiency.

- Mail should be opened by an employee not responsible for accounting, such as the mayor or an alderman. Cash receipts could be recorded and the deposit prepared by this person.
- Cash receipts should be deposited intact daily. Holding receipts exposes the Town to loss.
- Bank statements, cancelled checks, etc. should be received by someone other than the employee maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.
- Signed checks should be also mailed without allowing them to be returned to the employee responsible for accounts payable.
- Management should review supporting documents for normal recurring disbursements (not usually reviewed) on a spot-check basis. Nonroutine testing would aid in ensuring compliance with Town policy for all disbursements.
- Credit card statements should be reviewed monthly by the mayor or an alderman.

Action Taken:

The Town feels that it is not cost beneficial to hire another employee.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Town of Mangham, Louisiana and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Town of Mangham, Louisiana (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, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The findings obtained are described in the attachment to this report.

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

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

David M. Hartt, CPA (APAC)

West Monroe, Louisiana
December 19, 2018

SUPPLEMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
 - h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
 - j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Exceptions

Currently, the Town does not have written policies and procedures addressing budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, ethics and debt service. The Town follows the Louisiana State Employees Guide to Travel Regulations for travel and expense reimbursement policy.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Exceptions

Except as noted, there were no exceptions to this procedure.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exceptions

The Town's bank accounts and all bank reconciliations for each month have been prepared. There is no evidence that a member of management with no involvement in the transactions associated with the bank account has reviewed each bank reconciliation.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Exceptions

All cash/checks/money order (cash) collection is done at one location, the Town's office. There is only one employee that handles all aspects of the accounting process and she is not bonded. Receipts are given for cash received at Town Hall. The highest (dollar) week of cash collections was selected and traced to

the deposit slip and bank statement without exception. There is no written policy for the Town to determine completeness of all collections.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Exceptions

A listing of disbursements was obtained and from that, 25 disbursements were randomly selected. Requisition or purchase orders are not used in purchasing and there is no approval on the invoices. There is only one employee in charge of all areas of the accounting function. This employee can add vendors to the computer system, has signatory authority, and initiates the purchase. She maintains blank checks in the filing cabinet and no signature stamp is used.

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

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Exceptions

The Town does not use any type of credit, debit, fuel or p-cards.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exceptions

A list of all travel and related expense reimbursements, by person, was obtained. From this list, 3 employees that incurred the most travel costs during the year were selected to test the reimbursement reports, itemized receipts, that the purpose was documented and all reviewed with one exception. The travel expense statement was approved but there were no receipts or invoices attached. The reimbursements are reviewed and approved by someone other than the person receiving reimbursement.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Exceptions

There are contracts in effect with the Town for water & sewer maintenance, and the contracts are updated annually. Also, a two-year garbage contract is approved every other year. The amount paid monthly was compared to the contract without exception.

Payroll and Personnel

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

Exceptions

There are only three employees at the Town. There are no formal employment contracts or pay rate structure. No changes were made to salaries during the year. No attendance or leave records are required to be maintained and no employees were terminated during the year.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Exceptions

All of the employees received the required ethics training. Inquired as to any alleged ethics violations being reported to them and there were none.

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.
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.

Exceptions

The Town has no new debt.

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.
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.

Exceptions

Inquired of management whether the Town had any misappropriations of public funds or assets and there was none. The entity does not have posted on its premises, the notice required by R.S. 24:523.1.