

**Town of Vivian
Vivian, Louisiana**

Financial Statement with Auditors' Report

As of and For the Year Ended June 30, 2017

Town of Vivian
Vivian, Louisiana

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Vivian, Louisiana
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Independent Auditors' Report

Honorable Mayor and Board of Aldermen
Town of Vivian, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vivian, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town

of Vivian, Louisiana, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

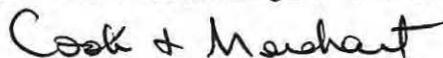
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 10, the budgetary comparison information on pages 47 - 49, the Schedule of Proportionate Share of Net Pension Liability on page 50, and the Schedule of Contributions on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Vivian's basic financial statements. The accompanying other supplementary information listed in the table of contents and shown on pages 52 - 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, shown on page 56, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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



Cook & Morehart
Certified Public Accountants
March 21, 2018

TOWN OF VIVIAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Vivian's financial performance provides an overview of the Town of Vivian's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Town's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Town of Vivian's net position of our governmental activities increased by \$953,111 or 13%. The Town of Vivian's net position of our business-type activities increased by \$169,168 or 5%.
- In the Town's governmental activities, total general and program revenues were \$3,233,453 in 2017 compared to \$2,589,350 in 2016. Total expenses, excluding depreciation, totaled \$1,744,194 for the year ended June 30, 2017 compared to \$1,808,208 for 2016.
- In the Town's business-type activities, revenues increased by \$402,571, while expenses decreased by \$45,811.
- In the Town's governmental activities, revenues increased by \$644,103, while expenses decreased by \$10,306.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Town of Vivian as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town of Vivian's operations in more detail than the government-wide statements by providing information about the Town of Vivian's most significant funds.

Reporting the Town of Vivian, Louisiana as a Whole

Our analysis of the Town of Vivian as a whole begins on page 11. One of the most important questions asked about the Town of Vivian's finances is "Is the Town of Vivian as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the funds maintained by the Town of Vivian as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town of Vivian's *net position* and changes in it. You can think of the Town of Vivian's net position – the difference between assets and liabilities – as one way to measure the Town of Vivian's financial health, or *financial position*. Over time, *increases* or *decreases* in the Town of Vivian's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities – Most of the Town's basic services are reported here, including the police, public works, and general administration. Property taxes, franchise fees, sales taxes, and police department fines, and various other revenues finance most of these activities.

Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the major funds maintained by the Town of Vivian begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds maintained by the Town of Vivian – not the Town of Vivian as a whole. The Town of Vivian's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the Town of Vivian's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town of Vivian's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Town of Vivian's expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

TOWN OF VIVIAN AS A WHOLE

The Town of Vivian's combined net position changed from a year ago, increasing from \$11,474,033, to \$12,596,312. A comparative analysis of the funds maintained by the Town of Vivian is presented below.

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 1,333,768	\$ 1,714,420	\$ 666,326	\$ 686,463	\$ 2,000,094	\$ 2,400,883
Capital Assets	8,909,764	8,155,822	6,958,279	6,767,336	15,868,043	14,923,158
Total Assets	<u>10,243,532</u>	<u>9,870,242</u>	<u>7,624,605</u>	<u>7,453,799</u>	<u>17,868,137</u>	<u>17,324,041</u>
Deferred Outflows of Resources	81,497	70,793	176,288	62,778	257,785	133,571
Current Liabilities	35,740	381,693	264,808	172,922	300,548	554,615
Long-term Liabilities	1,602,048	1,856,877	3,565,344	3,538,784	5,167,392	5,395,661
Total Liabilities	<u>1,637,788</u>	<u>2,238,570</u>	<u>3,830,152</u>	<u>3,711,706</u>	<u>5,467,940</u>	<u>5,950,276</u>
Deferred Inflows of Resources	49,316	17,651	12,354	15,652	61,670	33,303
Net Position:						
Net Investment in Capital Assets	7,677,948	6,758,774	3,700,955	3,457,762	11,378,903	10,216,536
Restricted	448,543	477,686	292,425	224,407	740,968	702,093
Unrestricted	511,434	448,354	(34,993)	107,050	476,441	555,404
Total Net Position	<u>\$ 8,637,925</u>	<u>\$ 7,684,814</u>	<u>\$ 3,958,387</u>	<u>\$ 3,789,219</u>	<u>\$ 12,596,312</u>	<u>\$ 11,474,033</u>

Net position of the Town of Vivian's governmental activities increased by \$953,111 or 13%. Net position of the Town of Vivian's business-type activities increased by \$169,168 or 5%.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 120,514	\$ 56,156	\$ 1,354,495	\$ 1,334,292	\$ 1,475,009	\$ 1,390,448
Capital grants and contributions	1,169,196	477,577	423,972	58,648	1,593,168	536,225
Operating grants and contributions	53,525		9,149		62,674	
General revenues:						
Taxes	1,492,058	1,574,631	57,199	58,838	1,549,257	1,633,469
Licenses and permits	130,572	125,165			130,572	125,165
Franchise taxes	107,426	101,701			107,426	101,701
Oil and gas income	4,077	5,811			4,077	5,811
Investment earnings	3,358	4,077	2,620	2,359	5,978	6,436
Other	152,727	244,232	9,273		162,000	244,232
Total Revenues	<u>3,233,453</u>	<u>2,589,350</u>	<u>1,856,708</u>	<u>1,454,137</u>	<u>5,090,161</u>	<u>4,043,487</u>
Expenses:						
General government	415,423	516,708			415,423	516,708
Economic development	187,225				187,225	
Public safety	826,043	880,724			826,043	880,724
Public works	559,423	591,844			559,423	591,844
Town Services	104,572	97,290			104,572	97,290
Recreation	136,966	144,890			136,966	144,890
Interest on long-term debt	50,690	59,192			50,690	59,192
Water and Sewer Utility			1,687,540	1,733,351	1,687,540	1,733,351
Total expenses	<u>2,280,342</u>	<u>2,290,648</u>	<u>1,687,540</u>	<u>1,733,351</u>	<u>3,967,882</u>	<u>4,023,999</u>
Increases (decreases) in net position	<u>\$ 953,111</u>	<u>\$ 298,702</u>	<u>\$ 169,168</u>	<u>\$ (279,214)</u>	<u>\$ 1,122,279</u>	<u>\$ 19,488</u>

The Town of Vivian's total revenues increased by \$1,046,674 or 26%, due mainly to an increase in capital grants. The total cost of all programs and services decreased by \$56,117 or 2%. Our analysis below separately considers the operations of the governmental and business-type activities.

Governmental Activities

Total revenues for the governmental activities increased \$644,103 from total revenues in the year ended June 30, 2016 of \$2,589,350 to total revenues of \$3,233,453 in the year ended June 30, 2017.

The cost of all governmental activities this year was \$2,280,342. These costs were covered by \$1,343,235 of program revenues, with the remaining costs covered by grants, property taxes, sales taxes, and other general revenues.

Business-type Activities

Total revenues for the business-type activities increased \$402,571 from total revenues in year ended June 30, 2016 of \$1,454,137 to total revenues of \$1,856,708 in the year ended June 30, 2017. This increase was due mainly to an increase in capital grants.

The cost of all business-type activities this year was \$1,687,540. These costs were covered by program revenues of \$1,787,616, consisting of charges for services assessed to users and capital grants.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a *combined* fund balance of \$1,244,558, which is more than last year's fund balance of \$1,294,346.

General Fund Budgetary Highlights

The Town adopted a budget for its General Fund for the year ended June 30, 2017. There was one amendment to the budget during the year. The Town's budgetary comparison is presented as required supplementary information beginning on page 47. Highlights for the year are as follows:

- The Town's actual expenditures were over the expected amount by \$166,877.
- The Town's actual revenues were over the expected amount by \$102,453.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017 and 2016, the Town of Vivian had invested \$15,868,043 and \$14,923,158, respectively in capital assets. (see table 3 below)

**Table 3
Capital Assets At Year End
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,750,487	\$ 1,750,487	\$ 64,086	\$ 64,086	\$ 1,814,573	\$ 1,814,573
CIP	700,546	1,016,287	56,021	101,961	756,567	1,118,248
Buildings	1,181,716	1,245,705			1,181,716	1,245,705
Improvements	2,587,050	1,090,388			2,587,050	1,090,388
Infrastructure	2,218,846	2,513,467	6,838,172	6,601,289	9,057,018	9,114,756
Vehicles and equipment	471,119	539,488			471,119	539,488
Total assets (net)	<u>\$ 8,909,764</u>	<u>\$ 8,155,822</u>	<u>\$ 6,958,279</u>	<u>\$ 6,767,336</u>	<u>\$ 15,868,043</u>	<u>\$ 14,923,158</u>

This year's major additions include:

Vehicles and equipment	\$ 37,705	\$
Construction in process	\$ 145,307	
Infrastructure		530,099
Improvements	1,122,103	
Total	<u>\$ 1,305,115</u>	<u>\$ 530,099</u>

More detailed information about the capital assets are presented in Note 6 to the Financial Statements.

DEBT

At year-end, the Town had \$5,137,462 in bonds, notes, and other debt outstanding, versus \$5,283,114 last year - a decrease of 3%.

**Table 4
Outstanding Debt At Year End**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Water & Sewer Revenue Bonds	\$	\$	\$ 2,985,451	\$ 3,037,701	\$ 2,985,451	\$ 3,037,701
Certificate of Indebtedness	1,231,816	1,397,048			1,231,816	1,397,048
Economic Development Award Program	151,515	151,515			151,515	151,515
Cooperative endeavor agreement		42,422				42,422
Capital Leases			271,873	271,873	271,873	271,873
Net Pension Liability	188,787	202,755	308,020	179,800	496,807	382,555
Totals	\$ 1,572,118	\$ 1,793,740	\$ 3,565,344	\$ 3,489,374	\$ 5,137,462	\$ 5,283,114

State law restricts the amount of debt that the Town of Vivian may issue. The aggregate principal amount of debt may not exceed 10% of the assessed valuation for property tax purposes of all real and personal property located within the parish. The Town of Vivian's total debt outstanding at year-end was well below this limitation.

More detailed information about the debt are presented in Note 12 to the Financial Statements.

In accordance with GASB Statement No. 68, the Town is reporting a net pension liability of \$496,807 on the statement of net position at June 30, 2017. Additional information about the Town's net pension liability is presented in note 13 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Vivian's management considered many factors when setting the fiscal year June 30, 2018 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same. Expenditures for 2018 are expected to remain substantially the same.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the Town of Vivian and to show the Town of Vivian's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor at P.O. Box 832, Vivian, LA 71082.

Town of Vivian
Vivian, Louisiana
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 816,906	\$ 16,995	\$ 833,901
Investments	249,716	110,434	360,150
Receivables (net of allowance for uncollectibles)	144,410	209,508	353,918
Prepaid expenses	51,684	21,173	72,857
Internal balances	71,052	(71,052)	
Restricted assets:			
Cash and cash equivalents		336,748	336,748
Investments		42,520	42,520
Capital assets not being depreciated	2,451,033	120,107	2,571,140
Depreciable capital assets, net	6,458,731	6,838,172	13,296,903
Total assets	<u>10,243,532</u>	<u>7,624,605</u>	<u>17,868,137</u>
Deferred Outflows of Resources			
Pension Related	<u>81,497</u>	<u>176,288</u>	<u>257,785</u>
Liabilities			
Accounts payable and accrued expenses	35,740	187,856	223,596
Payable from restricted assets:			
Customer deposits		76,952	76,952
Non-current liabilities:			
Due within one year	245,502	105,697	351,199
Due in more than one year	1,356,546	3,459,647	4,816,193
Total liabilities	<u>1,637,788</u>	<u>3,830,152</u>	<u>5,467,940</u>
Deferred Inflows of Resources			
Pension Related	<u>49,316</u>	<u>12,354</u>	<u>61,670</u>
Net Position			
Net investment in capital assets	7,677,948	3,700,955	11,378,903
Restricted for:			
Industrial development	448,543		448,543
Debt service		292,425	292,425
Unrestricted	511,434	(34,993)	476,441
Total net position	<u>\$ 8,637,925</u>	<u>\$ 3,958,387</u>	<u>\$ 12,596,312</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Activities
For the Year Ended June 30, 2017

Functions / Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 415,423	\$ 18,772	\$ 2,304	\$	\$ (394,347)	\$	\$ (394,347)
Economic development	187,225	48,000		1,110,946	971,721		971,721
Public safety	826,043	53,742	48,657	36,250	(687,394)		(687,394)
Public works	559,423		2,137		(557,286)		(557,286)
Town services	104,572		244	22,000	(82,328)		(82,328)
Recreation	136,966		183		(136,783)		(136,783)
Interest on long-term debt	50,690				(50,690)		(50,690)
Total governmental activities	2,280,342	120,514	53,525	1,169,196	(937,107)		(937,107)
Business-type Activities							
Utility	1,687,540	1,354,495	9,149	423,972		100,076	100,076
Total business-type activities	1,687,540	1,354,495	9,149	423,972		100,076	100,076
Total Government	\$ 3,967,882	\$ 1,475,009	\$ 62,674	\$ 1,593,168	(937,107)	100,076	(837,031)
General revenues:							
					1,492,058	57,199	1,549,257
					130,572		130,572
					107,426		107,426
					4,077		4,077
					3,358	2,620	5,978
					152,727	9,273	162,000
Total general revenues					1,890,218	69,092	1,959,310
					953,111	169,168	1,122,279
					7,684,814	3,789,219	11,474,033
					\$ 8,637,925	\$ 3,958,387	\$ 12,596,312

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Balance Sheet
Governmental Funds
June 30, 2017

	General	Sales Tax	Vivian Industrial Development	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 202,460	\$ 62,751	\$ 551,695	\$ 816,906
Investments	249,716			249,716
Receivables	34,812	109,598		144,410
Due from other funds	241,625		47,919	289,544
Total assets	\$ 728,613	\$ 172,349	\$ 599,614	\$ 1,500,576
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)				
Liabilities:				
Accounts payable and accrued expenses	\$ 37,026	\$	\$ 500	\$ 37,526
Due to other funds	12,188	206,304		218,492
Total liabilities	49,214	206,304	500	256,018
Fund balances (deficit):				
Restricted:				
Industrial development			599,114	599,114
Unassigned	679,399	(33,955)		645,444
Total fund balances (deficit)	679,399	(33,955)	599,114	1,244,558
Total liabilities, deferred inflows of resources, and fund balances	\$ 728,613	\$ 172,349	\$ 599,614	\$ 1,500,576

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

Fund balances - total governmental funds		\$ 1,244,558
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,909,764
The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.		51,684
Other long-term assets and other amounts are not available to pay for current-period expenditures and therefore are unavailable in the funds.		
Deferred outflows of resources - pension related		81,497
Long-term liabilities and other amounts, including bonds, net pension liabilities and notes payable are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest	1,786	
Certificates of indebtedness	(1,231,816)	
EDAP	(151,515)	
Net pension liability	(188,787)	
Deferred inflows of resources - pension related	(49,316)	
Compensated absences	(29,930)	
	(1,649,578)	(1,649,578)
Net position of governmental activities		\$ 8,637,925

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Sales Tax	Vivian Industrial Development	Total Governmental Funds
Revenues:				
Taxes	\$ 261,755	\$ 1,230,303	\$	\$ 1,492,058
Oil and gas income	4,077			4,077
Licenses and permits	130,572			130,572
Intergovernmental	106,602		1,110,511	1,217,113
Charges for services	18,772		48,000	66,772
Fines and forfeitures	53,742			53,742
Franchise taxes	107,426			107,426
Investment earnings	2,693	31	634	3,358
Miscellaneous	97,563		16,742	114,305
Total revenues	<u>783,202</u>	<u>1,230,334</u>	<u>1,175,887</u>	<u>3,189,423</u>
Expenditures:				
Current:				
General government	336,289	12,916		349,205
Public safety	817,940			817,940
Public works	251,894			251,894
Town services	104,025			104,025
Recreation	94,869			94,869
Economic development			99,694	99,694
Capital Outlay	37,705		1,267,409	1,305,114
Debt service:				
Principal retirement	165,232			165,232
Interest and other charges	51,238			51,238
Total expenditures	<u>1,859,192</u>	<u>12,916</u>	<u>1,367,103</u>	<u>3,239,211</u>
Excess (deficiency) of revenues over expenditures	<u>(1,075,990)</u>	<u>1,217,418</u>	<u>(191,216)</u>	<u>(49,788)</u>
Other financing sources (uses):				
Transfers in	1,095,456		121,717	1,217,173
Transfers out		(1,217,173)		(1,217,173)
Total other financing sources (uses)	<u>1,095,456</u>	<u>(1,217,173)</u>	<u>121,717</u>	<u></u>
Net change in fund balances	19,466	245	(69,499)	(49,788)
Fund balances (deficit) at beginning of year	<u>659,933</u>	<u>(34,200)</u>	<u>668,613</u>	<u>1,294,346</u>
Fund balances (deficit) at end of year	<u>\$ 679,399</u>	<u>\$ (33,955)</u>	<u>\$ 599,114</u>	<u>\$ 1,244,558</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ (49,788)

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

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.
This is the amount by which capital outlay (\$1,305,114) exceeded
depreciation (\$536,148) in the current period. 768,966

The repayment of principal of long-term debt consumes current
financial resources of governmental funds. 207,654

Revenues that are not available to pay current obligations are not
reported in the fund financial statements.
Non-employer contributions to cost-sharing pension plan 5,608

Some expenses reported in the statement of activities do not require
the use of current financial resources and therefore are not reported as
expenditures in the funds.

Compensated absences	33,208	
Accrued interest	548	
Prepaid expenses	14,539	
Pension expense	(12,599)	35,696

The net effect of various transactions involving capital assets (sales,
trade-ins, donated infrastructure, etc.) is to decrease net position. (15,025)

Change in net position of governmental activities \$ 953,111

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Net Position
Proprietary Funds
June 30, 2017

	<u>Business-Type Activities- Enterprise Funds</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 16,995
Investments	110,434
Receivables (net of allowance for uncollectibles)	209,508
Prepaid expenses	21,173
Restricted cash and cash equivalents - customer deposits	44,323
Restricted investments - customer deposits	42,520
Total current assets	<u>444,953</u>
Noncurrent assets:	
Restricted cash and cash equivalents - debt service	292,425
Capital assets:	
Land	64,086
Construction in process	56,021
Plant and equipment	12,986,950
Less: accumulated depreciation	<u>(6,148,778)</u>
Total noncurrent assets	<u>7,250,704</u>
Total assets	<u>7,695,657</u>
Deferred outflows of resources	
Pension related	<u>176,288</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	187,856
Due to other funds	71,052
Capital lease	51,115
Water and Sewer revenue bonds	54,582
Payable from restricted assets:	
Customer deposits	76,952
Total current liabilities	<u>441,557</u>
Noncurrent liabilities:	
Capital lease	220,758
Water and Sewer revenue bonds	2,930,869
Net Pension Liability	308,020
Total noncurrent liabilities	<u>3,459,647</u>
Total liabilities	<u>3,901,204</u>
Deferred inflows of resources	
Pension related	<u>12,354</u>
Net position	
Net investment in capital assets	3,700,955
Restricted:	
Debt service	292,425
Unrestricted	(34,993)
Total net position	<u>\$ 3,958,387</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	<u>Business-Type Activities- Enterprise Funds</u>
Operating revenues:	
Water sales	\$ 725,432
Sewerage service charges	302,862
Garbage charges	252,917
Delinquent charges	73,284
Miscellaneous revenues	9,273
Total operating revenues	<u>1,363,768</u>
Operating expenses:	
General and administrative expenses	287,830
Water department expenses	419,833
Sewer department expenses	261,745
Garbage department expense	247,160
Depreciation expense	339,156
Total operating expenses	<u>1,555,724</u>
Operating income (loss)	<u>(191,956)</u>
Non-operating revenues (expenses):	
Ad valorem taxes	57,199
Operating grants and contributions	9,149
Interest income	2,620
Interest expense	(131,816)
Total non-operating revenues	<u>(62,848)</u>
Income (loss) before capital contributions and transfers	(254,804)
Capital contributions	<u>423,972</u>
Change in net position	169,168
Net position - beginning of year	<u>3,789,219</u>
Net position - end of year	<u>\$ 3,958,387</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	<u>Business-Type Activities- Enterprise Funds</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,331,614
Cash payments to suppliers for goods and services	(589,738)
Cash payments to employees for services	(487,357)
Other receipts (payments)	9,273
Net Cash From Operating Activities	<u>263,792</u>
Cash Flows From Non-Capital Financing Activities	
Ad valorem taxes	57,199
Operating grants and contributions	9,149
Net Cash from Non-capital Financing Activities	<u>66,348</u>
Cash Flows From Capital and Related Financing Activities	
Capital contributions	371,063
Acquisition/construction of capital assets	(477,162)
Principal paid on capital debt	(52,250)
Interest paid on capital debt	(123,462)
Net Cash (Used In) Capital and Related Financing Activities	<u>(281,811)</u>
Cash Flow From Investing Activities	
Purchase of investments	(1,928)
Interest income	2,620
Net Cash from Investing Activities	<u>692</u>
Net Increase in Cash and Cash Equivalents	49,021
Cash, Beginning of year	<u>304,722</u>
Cash, End of year	<u>\$ 353,743</u>
Cash and cash equivalents are reflected on the statement of net position as follows:	
Cash and cash equivalents	\$ 16,995
Restricted cash and cash equivalents - customer deposits	44,323
Restricted cash and cash equivalents - debt service	292,425
	<u>\$ 353,743</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (191,956)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities	
Depreciation expense	339,156
Accounts receivable	(2,936)
Prepaid expense	(2,920)
Due from other funds	129,851
Accounts payable and accrued expenses	41,391
Net pension liability	128,220
Deferred inflows and outflows related to pensions	(116,808)
Long-term compensated absences	(49,410)
Customer deposits	(10,796)
Net Cash Flows From Operating Activities	<u>\$ 263,792</u>
Noncash Capital Financing Activities:	
Acquisition of property	
Acquisition/construction of capital assets	\$ 533,571
Vendor payable for property and equipment	(56,409)
Cash used to acquire/construct capital assets	<u>\$ 477,162</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017

INTRODUCTION

The Town of Vivian was incorporated on February 12, 1912 under the provisions of the Lawrason Act. The Town operates under a Mayor–Board of Aldermen form of government.

(1) Summary of Significant Accounting Policies

The Town of Vivian's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town of Vivian are discussed below.

A. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of Vivian is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town of Vivian), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the Town of Vivian are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB established criteria for determining which component units should be considered part of the Town of Vivian for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Town to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

In addition, the GASB states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. There were no entities that were determined to be component units of the Town of Vivian.

B. Basic Financial Statements – Government-Wide Statements

The Town of Vivian's basic financial statements include both government-wide (reporting the funds maintained by the Town of Vivian as a whole) and fund financial statements (reporting the Town of Vivian's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's sales tax fund, industrial development fund, and general fund are classified as governmental activities. The Town's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Town of Vivian's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town of Vivian's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function.

Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. 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. 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water and sewer services. The net costs (by function) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town of Vivian as an entity and the change in the Town of Vivian's net assets resulting from the current year's activities.

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town of Vivian are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town of Vivian:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town of Vivian:
 - a. General fund is the general operating fund of the Town of Vivian. It is used to account for all financial resources except those required to be accounted for in another fund.
 - b. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to specific purposes.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

General Fund – accounts for all financial resources except those required to be accounted for in another fund.

Sales Tax Fund – accounts for the proceeds of sales taxes levied for industrial development, street and drainage improvements, recreational programs, and public safety.

Enterprise Fund – accounts for the provision of water and sewer services of the Town.

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

Vivian Industrial Development - accounts for the proceeds of sales taxes levied that are legally restricted to expenditures for specific purposes.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Budget and Budgetary Accounting

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

1. The Mayor prepares a proposed budget and submits to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.

(Continued)

Town of Vivian
 Vivian, Louisiana
 Notes to Financial Statements
 June 30, 2017
 (Continued)

6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen. There was one amendment to the budget for the year ended June 30, 2017.

F. Cash, Cash Equivalents, and Investments

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

Investments are limited by R.S. 33:2955 and the Town's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost based on the following threshold levels for capitalizing assets:

Land	\$	1
Land improvements		10,000
Buildings		10,000
Vehicles, machinery, and equipment		5,000
Infrastructure		25,000

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, net of interest earned on specific project related debt, during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed.

Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-40 years
Equipment	5-15 years
Water and sewer systems	25 years
Outdoor and playground equipment	20 years
Infrastructure	40-50 years

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

In accordance with GASB statements, because of the costs involved in retroactively capitalizing infrastructure, the Town has elected an exception for local governments with annual revenues of less than \$10 million and will prospectively capitalize infrastructure from the date of implementation of GASB statements forward and will not retroactively capitalize infrastructure.

H. Revenues

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed. The Caddo Parish Tax Assessor determines assessed values of property and generates bills for property taxes. The Town mails and collects the taxes. Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Town is entitled to the funds.

I. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Fund Balance

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
2. Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

3. Committed fund balances include amounts that can be used only for the specific purposes as a result of constraints imposed by the board of alderman (the Town's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of aldermen removes those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.
5. Unassigned fund balance are the residual classification for the Town's general fund and include all spendable amounts not contained in the other classifications.

The Town's policy is to apply expenditures against nonspendable fund balances, restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, in that order.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

K. Sales Taxes

Proceeds of a 1% sales and use tax levied by the Town of are dedicated to the following purposes:

1. Providing funds in the amount of 25% of the proceeds of such tax each year for constructing, acquiring, improving, and/or maintaining industrial parks and buildings and equipment to induce the location of industry in the Town.
2. Providing funds in the amount of 25% of the proceeds of such tax for such year to the General Fund of the Town to be used for any lawful corporate purpose.
3. The remaining proceeds are to be used for street improvements and/or recreational programs.

Proceeds of another 1% sales and use tax levied by the Town of Vivian are dedicated to the Police Department to be used for any lawful corporate purpose.

Proceeds of another 1/2% sales and use tax levied by the Town of Vivian are dedicated for the purpose of opening, paving, constructing and improving public streets and bridges, including drainage incidental thereto, and further authority to fund the proceeds of the tax into bonds for the aforesaid purposes.

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

L. Compensated Absences

The Town's policy is to pay accumulated sick leave and vacation leave upon termination or retirement. Vesting of sick leave and accumulation of vacation leave are dependent on the employee's year of service and other criteria in accordance with the Town's policies. Unused vacation and sick days earned during the calendar year not taken during the year will be paid to an employee upon termination of employment during same calendar year.

M. Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

N. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

O. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds 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.

P. Bad Debts

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

Q. Capitalized Interest

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

R. Statement of Cash Flows

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

S. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has deferred outflows of resources related to pensions reported in the government-wide statement of net position and the statement of net position for proprietary funds.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has deferred inflows of resources related to pensions government-wide statement of net position and the statement of net position for proprietary funds.

U. Pension Plan

The Town is a participating employer in a cost-sharing, multiple-employer, defined benefit pension plan as described in Note 13. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions for the plans fiduciary net position have been determined on the same basis as they are reported by the plan.

(2) Levied Taxes

Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. State law requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31.

(Continued)

Town of Vivian
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Notes to Financial Statements
June 30, 2017
(Continued)

The following is a summary of authorized and levied ad valorem taxes for the year:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General	14.86	14.59	N/A
Streets	2.79	2.74	2017
Sewer Maintenance	2.79	2.74	2017
Water Maintenance	1.40	1.38	2017

Approximately 34% of the Town's ad valorem taxes are derived from 10 taxpayers.

(3) Cash, Cash Equivalents, and Investments

At June 30, 2017, the Town has cash, cash equivalents, and investments (book balances), totaling \$1,573,319, as detailed below.

A. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2016 (book balances) totaled \$1,170,649 of which \$336,748 is shown as a restricted asset. 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.

B. Investments

At June 30, 2017, the Town had investments totaling \$402,670, of which \$42,520 is shown as restricted.

Certificates of deposit	<u>\$ 402,670</u>
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The certificates of deposit have initial maturities greater than 90 days and are carried at cost, which approximates market.

C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2017, \$1,107,832 of the Town's bank balances totaling \$1,717,503 were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging
bank's trust department not in the Town's name:

	<u>2016</u>
Cash and cash equivalents	\$ 1,030,232
Investments	<u>77,600</u>
	<u>\$ 1,107,832</u>

(Continued)

Town of Vivian
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Notes to Financial Statements
June 30, 2017
(Continued)

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

(4) Receivables

The following is a summary of receivables at June 30, 2017:

Class of Receivable	2017
Governmental activities –	
Property taxes	\$ 85,477
Miscellaneous	9,952
Sales taxes	109,597
Franchise taxes	24,748
Allowance for uncollectibles	<u>(85,364)</u>
	144,410
Business-type activities –	
Accounts receivable – water and sewer charges	\$ 170,929
Grants	52,909
Miscellaneous	777
Allowance for Uncollectibles	<u>(15,107)</u>
	209,508
Total	\$ 353,918

(5) Restricted Assets

Restricted assets were applicable to the following at June 30, 2017:

	Business-Type Activities
Customer Deposits	\$ 86,843
Debt service	<u>292,425</u>
	\$ 379,268

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Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

(6) Capital Assets

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

	Balance at 7/1/2016	Additions	Deletions	Transfers	Balance at 6/30/2017
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Construction in progress	\$ 1,016,287	\$ 145,307	\$ (15,025)	\$ (446,023)	\$ 700,546
Land	1,750,487				1,750,487
Total capital assets, not being depreciated	<u>2,766,774</u>	<u>145,307</u>	<u>(15,025)</u>	<u>(446,023)</u>	<u>2,451,033</u>
Capital assets, being depreciated:					
Buildings	2,202,000				2,202,000
Improvements	1,859,933	1,122,103		446,023	3,428,059
Infrastructure	3,510,624				3,510,624
Vehicles and equipment	1,704,354	37,705	(66,617)		1,675,442
Total capital assets, being depreciated	<u>9,276,911</u>	<u>1,159,808</u>	<u>(66,617)</u>	<u>446,023</u>	<u>10,816,125</u>
Less accumulated depreciation:					
Buildings	(956,295)	(63,989)			(1,020,284)
Improvements	(769,545)	(71,464)			(841,009)
Infrastructure	(997,157)	(294,621)			(1,291,778)
Vehicles and equipment	(1,164,866)	(106,074)	66,617		(1,204,323)
Total accumulated depreciation	<u>(3,887,863)</u>	<u>(536,148)</u>	<u>66,617</u>		<u>(4,357,394)</u>
Total capital assets, being depreciated, net	<u>5,389,048</u>	<u>623,660</u>		<u>446,023</u>	<u>6,458,731</u>
Governmental activities capital assets, net	<u>\$ 8,155,822</u>	<u>\$ 768,967</u>	<u>\$ (15,025)</u>	<u>\$</u>	<u>\$ 8,909,764</u>

Depreciation expense was charged to Governmental Activities as follows:

General government	\$ 97,235
Economic development	77,816
Public safety	20,435
Public works	299,881
Recreation	40,781
	<u>\$ 536,148</u>

(Continued)

Town of Vivian
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Notes to Financial Statements
June 30, 2017
(Continued)

	Balance at 7/1/2016	Additions	Deletions	Transfers	Balance at 6/30/2017
Business-Type Activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ 101,961	\$	\$	\$ (45,940)	\$ 56,021
Land	64,086				64,086
Total capital assets, not being depreciated	<u>166,047</u>			<u>(45,940)</u>	<u>120,107</u>
Capital assets, being depreciated:					
Administration	104,463				104,463
Water equipment	7,433,359	44,316			7,477,675
Sewer equipment	4,873,089	485,783		45,940	5,404,812
Total capital assets, being depreciated	<u>12,410,911</u>	<u>530,099</u>		<u>45,940</u>	<u>12,986,950</u>
Less accumulated depreciation:					
Administration	(84,132)	(12,869)			(97,001)
Water equipment	(3,251,378)	(242,266)			(3,493,644)
Sewer equipment	(2,474,112)	(84,021)			(2,558,133)
Total accumulated depreciation	<u>(5,809,622)</u>	<u>(339,156)</u>			<u>(6,148,778)</u>
Total capital assets, being depreciated, net	<u>6,601,289</u>	<u>190,943</u>		<u>45,940</u>	<u>6,838,172</u>
Business-type activities capital assets, net	<u>\$6,767,336</u>	<u>\$ 190,943</u>	<u>\$</u>	<u>\$</u>	<u>\$6,958,279</u>

Depreciation expense was charged to Business-Type Activities as follows:

Water	\$ 255,135
Sewer	84,021
	<u>\$ 339,156</u>

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

(7) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2017, consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 20,180	\$ 121,454	\$ 141,634
Salaries and payroll taxes	6,886	4,625	11,511
Miscellaneous	4,658	14,946	19,604
Compensated absences	4,016	46,831	50,847
Total	<u>\$ 35,740</u>	<u>\$ 187,856</u>	<u>\$ 223,596</u>

(8) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$76,952 at June 30, 2017.

(9) Interfund Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>
Governmental Funds:		
General	\$ 1,095,456	\$ —
Sales Tax	—	1,217,173
Vivian Industrial Development	121,717	
Total Governmental Funds	<u>1,217,173</u>	<u>1,217,173</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

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Town of Vivian
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Notes to Financial Statements
June 30, 2017
(Continued)

(10) Interfund Balances

Interfund balances at June 30, 2017 consisted of the following:

	<u>Due From Other Fund</u>	<u>Due To Other Fund</u>	<u>Net</u>
Governmental Funds:			
General	\$ 241,625	\$ 12,188	\$ 229,437
Sales tax	-	206,304	(206,304)
Vivian Industrial Development	<u>47,919</u>	<u>-</u>	<u>47,919</u>
Total Governmental Funds	<u>289,544</u>	<u>218,492</u>	<u>71,052</u>
Enterprise Funds	<u> </u>	<u>71,052</u>	<u>(71,052)</u>
Total	<u>\$ 289,544</u>	<u>\$ 289,544</u>	<u>\$ -</u>

The interfund balances are the results of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

(11) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

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Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

(12) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Certificates of Indebtedness	\$ 1,397,048	\$	\$ (165,232)	\$ 1,231,816	\$ 169,136
Economic Development Award Program (EDAP)	151,515			151,515	46,436
Cooperative endeavor agreement	42,422		(42,422)		
Other long-term Liabilities - Net pension liability	202,755		(13,968)	188,787	
Compensated Absences	72,828		(38,882)	33,946	33,946
 Total - Governmental Activities long-term liabilities	 <u>\$ 1,866,568</u>	 <u>\$</u>	 <u>\$ (260,504)</u>	 1,606,064	 249,518
Less amounts due within period of availability				<u>(4,016)</u>	<u>(4,016)</u>
Total long-term liabilities, Government-wide statements				<u>\$ 1,602,048</u>	<u>\$ 245,502</u>

Payments on certificates of indebtedness are made from the general fund. Payments on EDAP and cooperative endeavor agreement are made from the industrial development fund. Payments on compensated absences are made by the fund for which the employee worked.

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Town of Vivian
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Notes to Financial Statements
June 30, 2017
(Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type Activities:					
Water and Sewer Revenue Bonds	\$ 3,037,701	\$	\$ (52,250)	\$ 2,985,451	\$ 54,582
Other long-term liabilities -					
Capital lease	271,873			271,873	51,115
Net pension liability	179,800	128,220		308,020	
Compensated Absences	57,690		(10,859)	46,831	46,831
Total - Business-type Activities long-term liabilities	\$ 3,547,064	\$ 128,220	\$ (63,109)	3,612,175	152,528
Less amounts due within period of availability				(46,831)	(46,831)
Total long-term liabilities, government-wide statements				\$ 3,565,344	\$ 105,697

Payments on capital lease and revenue bonds are made from the utility fund. Payments on compensated absences are made by the fund for which the employee worked.

Certificate of Indebtedness

\$2,000,000 dated 11/30/11. Due in quarterly installments
of \$ 54,117.48 through December 2023; interest at 4.49% \$ 1,231,816

Water and Sewer Revenue Bonds --

\$3,440,000 dated 04/22/09. Due in monthly installments of
\$15,343 through April 2049; interest at 4.38%. Payable from
income and revenues derived from the waterworks and sewer system. \$ 2,985,451

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

The annual requirements to amortize all debt outstanding at June 30, 2017 were as follows:

Governmental Activities – Certificate of Indebtedness

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 169,136	\$ 47,334
2019	176,090	40,380
2020	183,331	33,139
2021	190,869	25,600
2022	198,718	17,752
2023 - 2024	313,672	11,208
	<u>\$ 1,231,816</u>	<u>\$ 175,413</u>

Business-type Activities – Water and Sewer Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 54,582	\$ 129,534
2019	57,019	127,097
2020	59,220	124,896
2021	62,207	121,909
2022	64,984	119,132
2023 – 2027	370,754	549,826
2028 – 2032	460,937	449,553
2033 – 2037	573,901	346,674
2038 – 2042	714,008	206,572
2043 – 2047	567,839	43,264
	<u>\$ 2,985,451</u>	<u>\$ 2,218,457</u>

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

Business-type Activities – Capital Lease

The Town entered into a Louisiana Municipal Lease-Purchase Agreement for financing automated meter reading system and certain wastewater treatment plant upgrades. The gross amount of assets recorded under this capital lease was \$578,478, the related accumulated depreciation was \$206,012, and the net book value was \$372,466. The lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of their future minimum lease payments as of the inception date. The lease was dated May 8, 2006, for \$620,000, and is due in annual installments of \$59,519 through July 10, 2021. This capital lease was refinanced on July 8, 2016. The maturities below reflect the refinanced amount.

The future minimum lease obligation and net present value of the minimum lease payments as of June 30, 2016, was as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 51,115	\$ 8,404
2019	52,695	6,824
2020	54,324	5,195
2021	56,003	3,516
2022	57,736	1,783
	<u>\$ 271,873</u>	<u>\$ 25,722</u>

Governmental Activities – Economic Development Award Program

A cooperative endeavor agreement was entered into and was effective April 15, 2011, by and among the Louisiana Economic Development Corporation, acting through the Louisiana Department of Economic Development (LED); Epic Boats, LLC (Company) and the Town of Vivian (Sponsoring Entity). The parties to the agreement intend to develop an industrial or business development project requiring basic infrastructure, with the funding from the special fund of the State of Louisiana, pursuant to the Economic Development Award Program (EDAP). The EDAP Award in the amount of \$170,000, is justified, starting as a loan which may be converted to a grant if the employment and payroll obligations undertaken by the Company in this agreement are created, retained and maintained as agreed by the Company through the end of the term of this agreement. LED agrees to lend unto Sponsoring Entity \$170,000 with interest rate at the U.S. Treasury Rate for similar bank financing plus 2% per annum and be repaid over a period of 10 years. It is anticipated that this Loan repayment obligation will be repaid by applying to the principal due on the Loan the "Jobs/Payroll Credits" provided by the Company's creation of the required number of jobs as specified by the agreement. The Town – Sponsoring Entity and the Company are bound in solido in connection with this repayment obligation. The Company is the primary obligor and the Town – Sponsoring Entity will be the guarantor in the event of default by the Company. All obligations of the Company described under this agreement are further secured and guaranteed by a certain individual.

In August 2017, the Town was notified by Louisiana Department of Economic Development that Epic Boats, LLC and the Town are not in good standing with regards to the terms of the cooperative endeavor agreement.

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Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

The annual requirements to amortize the debt outstanding at June 30, 2017 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 46,436	\$ 17,133
2019	21,515	4,350
2020	24,815	3,459
2021	28,168	2,432
2022	<u>30,581</u>	<u>3,698</u>
	<u>\$ 151,515</u>	<u>\$ 28,641</u>

Governmental Activities – Cooperative Endeavor Agreement

A cooperative endeavor agreement was entered into between the Town of Vivian and Caddo Ward II Industrial Development Corporation, effective April, 2014. The agreement calls for monthly payments of \$2,000 by the Town to Caddo Ward II Industrial Development Corporation for work performed on Town property. The payments will begin June 1, 2014 and continue until the amount of \$94,422 is paid in full. During the year ended June 30, 2017, the Caddo Ward II Industrial Development Corporation forgave the remaining balance of \$38,422, requiring no further payments to be made by the Town. This amount is included in miscellaneous revenues on the Statement of Activities.

(13) Pension Plans

Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB 68 require the Town to record its proportional share of each of the pension plans net pension liability and report certain disclosures. The following is a description of the plan and benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

The Municipal Employees' Retirement System of Louisiana is the administrator of a cost-sharing, multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. Effective October 1, 1978, under Act 788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. Employees of the Town are members of Plan B.

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Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

Plan Description

Eligibility Requirements:

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

Retirement Benefits:

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

1. Any age with thirty (30) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.

Eligibility for retirement for Plan B Tier 2 members is as follows:

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service
4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave.

Generally, the monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes. Any member of Plan B, who is eligible for normal retirement at time of death and who leaves a surviving spouse, will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

DROP Benefits:

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

(Continued)

Town of Vivian
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Notes to Financial Statements
June 30, 2017
(Continued)

option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service whichever is greater or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

Cost of Living Increases:

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

Deferred Benefits:

Both plans provide for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

Contributions

Contributions for all members are established by statute. Member contributions are at 5% of earnable compensation for Plan B. According to state statute, contribution requirements for all employers are actuarially determined each year. For the plan years ending June 30, 2017 and 2016, the actual employer contribution rates were 11% and 9.5%, respectively, for Plan B. The Town's contributions to the System for the years ended June 30, 2017, 2016, and 2015, were \$48,832, \$40,568, and \$37,495, respectively.

Non-Employer Contributions

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. Non-employer contributions totaling \$14,758 are recognized as revenue during the year ended June 30, 2017, and excluded from pension expense.

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

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

At June 30, 2017, the Town reported a liability of \$496,807 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the fiscal year ended June 30, 2016 as compared to the total of all employers' contributions received by the System during the fiscal year ended June 30, 2016. The Town's proportion as measured at June 30, 2016, was .599351%, which was an increase of .03648% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$89,406, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$(5,928).

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

	<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Differences between expected and actual experience	\$ 2,728	\$ 4,450
Changes in proportion and differences between employer contributions and proportionate share of contributions	46,588	7,904
Total	<u>\$ 49,316</u>	<u>\$ 12,354</u>

	<u>Deferred Outflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Changes of assumptions	\$ 9,407	\$ 15,349
Differences between expected and actual experience	1,548	2,527
Net difference between projected and actual earnings on pension plan investments	46,275	75,501
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,711	52,635
Employer contributions subsequent to the measurement Date	18,556	30,276
Total	<u>\$ 81,497</u>	<u>\$ 176,288</u>

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Town of Vivian
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Notes to Financial Statements
June 30, 2017
(Continued)

The Town reported a total of \$48,832 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2016, which will be recognized as a reduction in net pension liability in the year ended June 30, 2018.

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

<u>Year</u>	<u>Amount</u>
2018	\$ 33,608
2019	48,312
2020	45,190
2021	19,173
Total	<u>\$ 146,283</u>

Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Inflation Rate	2.875%
Projected Salary Increases	5.0%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sec Distinct Mortality Tables set forward 2 years for males and 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.
Disables lives mortality	For disable Annuitants, RP-2000 Disabled Lives Mortality Tables set back 5 years for males and 3 years for females.
Expected Remaining Service Lives	4 years

The mortality rate assumption used was verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

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

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

	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50%	2.6%
Public fixed income	35%	1.8%
Alternatives	15%	.08%
Totals	<u>100%</u>	<u>5.2%</u>
Inflation		2.5%
Expected Arithmetic Nominal Return		7.6%

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

Sensitivity to Changes in Discount Rate

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

	<u>Changes in Discount Rate</u>		
	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net Pension Liability	\$ 642,685	\$ 496,807	\$ 372,344

Changes in Net Pension Liability

The changes in the net pension liability for the year ended June 30, 2017 were recognized in the current reporting period except as follows:

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

Differences between Expected and Actual Experience:

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension benefit using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Differences between Projected and Actual Investment Earnings:

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

Changes of Assumptions:

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Changes in Proportion:

Changes in the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in proportion are presented in the Schedule of Pension Amounts as deferred outflows or deferred inflows as of June 30, 2017.

Contributions – Proportionate Share

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

Pension Plan Fiduciary Net Position

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan.

Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2016. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.lla.la.gov.

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2017
(Continued)

(14) Lease Revenue

The Town entered into a leasing agreement to lease a building owned by the Town. Under the lease the Town will receive a monthly amount ranging from \$4,000 to \$6,000 per month, beginning on April 1, 2015 and ending on March 31, 2025. The lease agreement contains a continuing option to purchase the property through March, 2025, for the purchase price of \$600,000. Monthly lease payments made through the date the option to purchase is exercised shall be applied to the purchase price. Payments received under this lease for the year ended June 30, 2017, totaled \$48,000. Future minimum lease payments to be received by the Town are as follows:

<u>Fiscal Year</u>	
2018	\$ 51,000
2019	60,000
2020	60,000
2021	63,000
2022	72,000
2023 – 2025	<u>198,000</u>
	<u>\$ 504,000</u>

(15) Subsequent Events

Subsequent events have been evaluated through March 21, 2018, the date the financial statements were available to be issued.

Town of Vivian
Vivian, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 271,500	\$ 314,300	\$ 261,755	\$ (52,545)
Fines and forfeitures	60,200	60,000	53,742	(6,258)
Licenses and permits	128,100	105,600	130,572	24,972
Franchise taxes	75,000	60,000	107,426	47,426
Oil and gas income	7,500	4,500	4,077	(423)
Intergovernmental	36,000	34,099	58,685	24,586
Investment earnings	500	500	2,693	2,193
Miscellaneous	97,300	101,750	164,252	62,502
Total revenues	<u>676,100</u>	<u>680,749</u>	<u>783,202</u>	<u>102,453</u>
Expenditures:				
Current:				
General government	280,400	269,865	336,289	(66,424)
Public safety	817,800	758,150	817,940	(59,790)
Public works	280,500	245,395	251,894	(6,499)
Town services	121,700	115,035	104,025	11,010
Recreation	168,600	87,400	94,869	(7,469)
Capital outlay	36,000		37,705	(37,705)
Debt service:				
Principal retirement	137,806	137,806	163,519	(25,713)
Interest and other charges	78,664	78,664	52,951	25,713
Total expenditures	<u>1,921,470</u>	<u>1,692,315</u>	<u>1,859,192</u>	<u>(166,877)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,245,370)</u>	<u>(1,011,566)</u>	<u>(1,075,990)</u>	<u>(64,424)</u>
Other financing sources (uses):				
Transfers in	1,069,200	975,000	1,095,456	120,456
Total other financing sources (uses)	<u>1,069,200</u>	<u>975,000</u>	<u>1,095,456</u>	<u>120,456</u>
Net change in fund balance	(176,170)	(36,566)	19,466	56,032
Fund balances at beginning of year	<u>400,000</u>	<u>400,000</u>	<u>659,933</u>	<u>259,933</u>
Fund balances at end of year	<u>\$ 223,830</u>	<u>\$ 363,434</u>	<u>\$ 679,399</u>	<u>\$ 315,965</u>

Town of Vivian
Vivian, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
Sales Tax Fund
For the Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Sales tax	\$ 1,189,000	\$ 1,094,517	\$ 1,230,303	\$ 135,786
Investment earnings	100	30	31	1
Total revenues	<u>1,189,100</u>	<u>1,094,547</u>	<u>1,230,334</u>	<u>135,787</u>
Expenditures:				
Current:				
General government	12,880	13,000	12,916	84
Total expenditures	<u>12,880</u>	<u>13,000</u>	<u>12,916</u>	<u>84</u>
Excess (deficiency) of revenues over expenditures	<u>1,176,220</u>	<u>1,081,547</u>	<u>1,217,418</u>	<u>135,871</u>
Other financing sources (uses):				
Transfers out	<u>(1,176,220)</u>	<u>(1,056,150)</u>	<u>(1,217,173)</u>	<u>(161,023)</u>
Total other financing sources (uses)	<u>(1,176,220)</u>	<u>(1,056,150)</u>	<u>(1,217,173)</u>	<u>(161,023)</u>
Net change in fund balance		25,397	245	(25,152)
Fund balance (deficit) at beginning of year			<u>(34,200)</u>	<u>(34,200)</u>
Fund balance (deficit) at end of year	<u>\$</u>	<u>\$ 25,397</u>	<u>\$ (33,955)</u>	<u>\$ (59,352)</u>

Town of Vivian
Vivian, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
Vivian Industrial Development Fund
For the Year Ended June 30, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Miscellaneous income	\$ 68,000	\$ 68,000	\$ 64,742	\$ (3,258)
Intergovernmental	5,000	1,102,717	1,110,511	7,794
Investment earnings	1,000	1,000	634	(366)
Total revenues	<u>74,000</u>	<u>1,171,717</u>	<u>1,175,887</u>	<u>4,170</u>
Expenditures:				
Current:				
Economic Development	347,500	501,750	99,694	402,056
Capital outlay		1,272,174	1,267,409	4,765
Total expenditures	<u>347,500</u>	<u>1,773,924</u>	<u>1,367,103</u>	<u>406,821</u>
Excess (deficiency) of revenues over expenditures	<u>(273,500)</u>	<u>(602,207)</u>	<u>(191,216)</u>	<u>410,991</u>
Other financing sources (uses):				
Transfers in	118,800	117,622	121,717	4,095
Total other financing sources (uses)	<u>118,800</u>	<u>117,622</u>	<u>121,717</u>	<u>4,095</u>
Net change in funds balance	(154,700)	(484,585)	(69,499)	415,086
Fund balance at beginning of year		<u>540,000</u>	<u>668,613</u>	<u>128,613</u>
Fund balance at end of year	<u>\$ 117,300</u>	<u>\$ 55,415</u>	<u>\$ 599,114</u>	<u>\$ 543,699</u>

Town of Vivian
Vivian, Louisiana
Schedule of Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2017

Municipal Employees Retirement System of Louisiana

	2017	2016	2015
Proportion of the net pension liability	0.599351%	0.562873%	0.561373%
Proportionate share of the net pension liability	\$ 496,807	\$ 382,555	\$ 263,563
Covered-employee payroll	427,035	394,684	406,713
Proportionate share of the net pension liability as a percentage of covered employee payroll	116.34%	96.93%	64.80%
Plan fiduciary net position as a percentage of the total pension liability	63.34%	68.71%	76.94%

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

Town of Vivian
Vivian, Louisiana
Schedule of Contributions
For the Year Ended June 30, 2017

Municipal Employees Retirement System of Louisiana

	2017	2016	2015
Contractually required contribution	\$ 48,832	\$ 40,568	\$ 37,495
Contributions in relation to the contractually required contribution	48,832	40,568	37,495
Contribution deficiency (excess)	-	-	-
Covered-employee payroll	443,927	427,035	394,684
Contributions as a percentage of covered-employee payroll	11.00%	9.50%	9.50%

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

Town of Vivian
Vivian, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended June 30, 2017

Mayor - Mike VanSchoick	\$	26,600
Alderman:		
Raymond Williams		3,300
Angela Channel		3,300
Denise Alexander		3,300
Mandi Burton		3,300
Judy Wilson		3,300
		<hr/>
	\$	<u>43,100</u>

Town of Vivian
 Vivian, Louisiana
 Schedule of Rates - User Fees
 For the Year Ended June 30, 2017

	Usage	Base	Per Additional 1,000 Gallons
WATER	Residential Inside:	0 - 2,000 Gallons	N/A
		over 2,000	\$6.00
	Residential Outside:	0 - 2,000 Gallons	N/A
	over 2,000	\$6.25	
	Commercial Inside and Outside:	0 - 2,000 Gallons	N/A
		over 2,000	\$6.25
SEWER	Residential:	0 - 2,000 Gallons	N/A
		over 2,000	\$2.25
	Commercial:	0 - 2,000 Gallons	N/A
	over 2,000	\$2.25	
	Out of Town:	0 - 2,000 Gallons	N/A
		over 2,000	\$2.25

System Users

System users at June 30, 2017 was as follows:

	Number of Customers
Water customers	1,468

Town of Vivian
Vivian, Louisiana
Schedule of Insurance
June 30, 2017

Company	Type Insurance	Policy Period	Coverage Limits
Stonetrust Insurance Company	Workers Comp	1/1/2016 to 1/1/2017 1/1/2017 to 7/1/2017	\$ 100,000 each accident 500,000 policy limit 100,000 each employee
Old Republic Insurance Company	Airport Liability	1/12/2016 to 1/12/2017 1/13/2017 to 1/13/2018	1,000,000 each occurrence
Nova Casualty	Law Enforcement Officer Errors and Omissions Employment Practices	2/14/2016 to 2/14/2017 2/14/2017 to 6/30/2017	1,000,000 per occurrence 1,000,000 per claim 1,000,000 per claim
Nova Casualty	Auto Liability and Physical Damage	2/14/2016 to 2/14/2017 2/14/2017 to 6/30/2017	1,000,000 per accident
EMC Insurance Company	Property/Inland Marine	2/16/2016 to 2/16/2017 2/16/2017 to 2/16/2018	8,372,518
EMC Insurance Company	Commercial Crime and Employee Dishonesty Policy	10/2/2015 to 10/2/2016 10/2/2016 to 10/2/2017	250,000
EMC Insurance Company	Mayor Public Official Bond	1/1/2015 to 12/31/2018	25,000.00
EMC Insurance Company	Mayor Pro-Tem Public Official Bond	1/1/2015 to 12/31/2018	25,000.00
EMC Insurance Company	Municipal Clerk Public Official Bond	12/31/2014 to 12/31/2018	25,000.00
Louisiana Municipal Risk Management Agency	Commercial General Liability	2/4/2015 to 2/4/2018	500,000.00 per occurrence

Town of Vivian
Vivian, Louisiana
Other Supplementary Information
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended June 30, 2017

Agency Head: Michael VanSchoick, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 26,600
Benefits-retirement	3,458

Town of Vivian
Vivian, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Transportation</u>				
Airport Improvement Program	20.106		\$	\$ 1,009,893
<u>U.S. Department of Defense</u>				
Direct Program - Payment to States in-Lieu-of Real Estate Taxes	12.112	Unknown		16,317
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Louisiana Division of Administration, Office of Community Development				
Community Development Block Grant	14.228	731794		423,972
Total federal expenditures			<u>\$</u>	<u>\$ 1,450,182</u>

NOTE A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Town of Vivian under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Vivian, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Town of Vivian.

NOTE B: Summary of Significant Accounting Policies

- (1) The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.
- (2) Town of Vivian does not utilize an indirect cost rate.

COOK & MOREHART

Certified Public Accountants

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SOCIETY OF LOUISIANA
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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*

Independent Auditor's Report

Town of Vivian
Vivian, Louisiana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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, and each major fund of the Town of Vivian as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Vivian's basic financial statements, and have issued our report thereon dated March 21, 2018.

Internal Control over Financial Reporting

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

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 and 2017-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001, 2017-004, and 2017-006 to be significant deficiencies.

Compliance and Other Matters

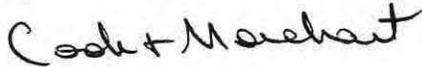
As part of obtaining reasonable assurance about whether Town of Vivian's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-005, 2017-007, and 2017-008.

Town of Vivian's Response to Findings

Town of Vivian's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Town of Vivian's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Cook & Morehart
Certified Public Accountants
March 21, 2018

COOK & MOREHART

Certified Public Accountants

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

The Honorable Mike VanSchoick, Mayor
and Members of the Town Council
Town of Vivian
Vivian, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Town of Vivian's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town of Vivian's major federal program for the year ended June 30, 2017. Town of Vivian's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Town of Vivian's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Vivian's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town of Vivian's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Vivian complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Town of Vivian is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Vivian's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Vivian's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
March 21, 2018

Town of Vivian
Vivian, Louisiana
Summary Schedule of Prior Audit Findings.
June 30, 2017

2016-001 Finding - Budget

Finding: The Town's original budget for the sales tax fund for the year ended June 30, 2016 reflected a deficit fund balance. State law states that the total of proposed expenditures shall not exceed the total of estimated funds available for the year. In addition, total actual expenditures and other financing uses exceeded budgeted expenditures and other financing uses by more than 5%.

Recommendation: We recommend that the Town adopt its budget in accordance with the Local Government Budget Act to ensure that the total of proposed expenditures shall not exceed the total of estimated funds available for the year. We further recommend that the Town monitor its budget throughout the year and amend as necessary to ensure that the total of proposed expenditures and other financing uses does not exceed the budgeted amounts by more than 5%.

Current Status: See repeat finding for year ended June 30, 2017.

2016-002 Significant Deficiency – Documentation – Daily Work – Water and Sewer Collections

Significant Deficiency: During our testing, it was noted that daily reports were not always generated to substantiate the daily activity for water and sewer billing collections.

Recommendation: We recommend that those responsible for accepting payments follow the Town's policy of generating activity reports from the subsidiary software to substantiate deposits and activity for each day to allow for proper monitoring of water – sewer collections.

Current Status: See repeat finding for year ended June 30, 2017.

Town of Vivian
 Vivian, Louisiana
 Schedule of Findings and Questioned Costs
 June 30, 2017

A. Summary of Audit Results

Financial Statements

Type of audit report issued : Unmodified

Internal control over financial reporting :

Material weaknesses identified : yes no
 Significant deficiencies identified : yes none reported

Noncompliance material to financial statements noted :

yes no

Federal Awards

Internal control over major programs :

Material weaknesses identified : yes no
 Significant deficiencies identified : yes none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)

yes no

Identification of major federal programs :

CFDA# 20.106 Airport Improvement program

Dollar threshold used to distinguish between type A and type B programs : \$750,000

Auditee qualified as low risk :

yes no

B. Findings – Financial Statements Audit:

2017-001 Significant Deficiency - Payroll

Condition: Time sheets / time cards were not approved on all employees by the employees' supervisors before payroll was prepared.

Criteria: Controls should be in place whereby employees time sheets / time cards are approved by supervisors on all employees before payroll is prepared.

Cause: The Town does not have a policy in place requiring approval of time sheets / time cards by supervisors for all employees.

Effect: Unauthorized or incorrect time could be paid which was not approved by management.

(Continued)

Town of Vivian
Vivian, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2017
(Continued)

Recommendation: We recommend supervisory approval of all time sheets / time cards on all employees prior to payroll being prepared.

Views of Responsible Officials and Planned Corrective Actions: It is the Town's policy for management to approve all time sheets / time cards prior to payroll being prepared. The Town will implement procedures for ensuring that this policy is adhered to.

2017-002 Material Weakness - Collections

Condition: During our audit, we noted no evidence of review of daily work for collections by an appropriate town employee who was not involved in the collection process. There was also no evidence of a reconciliation of differences between daily work and subsidiary records. In addition, no documentation for collections could be located by town personnel for five months of the audit period.

Criteria: Controls should be in place which provide for a review of collections of daily work by town personnel not involved in the collection process, including a reconciliation of any differences noted between daily work and subsidiary records. In addition, documentation should be maintained to support all deposits.

Cause: Controls were not in place to provide for a review of collections of daily work by appropriate town personnel, including a reconciliation of differences between daily work and subsidiary records. In addition, controls were not in place to ensure supporting documentation for collections was properly maintained. Also, there was significant turnover in the Town Clerk and other accounting department personnel during the year.

Effect: Conditions could exist whereby collections by the Town were not deposited or were not recorded properly.

Recommendation: We recommend appropriate town personnel review and approve daily work and reconcile any differences between daily work and subsidiary records. We also recommend that supporting documentation be maintained for all collections.

Views of Responsible Officials and Planned Corrective Actions: Management will review and document deposits collected daily and will implement filing procedures to ensure that supporting documentation is maintained for all collections.

2017-003 Material Weakness – Accounting Records

Condition: The Town's accounting records, including budgetary financial statements, were not maintained on a current basis throughout the year. Bank reconciliations were also not done in a timely manner throughout the year.

Criteria: Controls should be in place to ensure that accounting records, including budgetary financial statements, are maintained on a current basis throughout the year. In addition, bank reconciliations should be performed for all bank accounts on a monthly basis.

Cause: There was significant turnover in the Town Clerk and other accounting department personnel during the year.

(Continued)

Town of Vivian
Vivian, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2017
(Continued)

Effect: There was not an efficient and systematic monitoring of the Town's financial position throughout the year.

Recommendation: We recommend that the Town's accounting records, including budgetary financial statements, be maintained on a current basis throughout the year, and that Town bank accounts be reconciled on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions: The Town is working to get records & filing system current and is providing financials to board monthly. Bank accounts are reconciled to current and are to be reconciled monthly.

2017-004 Significant Deficiency – Police Department Collections

Condition: Police fines are collected by the police department and not at Town hall. The employee who maintains subsidiary records for the police department fines is sometimes responsible for collecting those payments. Subsidiary records are not reviewed and reconciled to collections by Town accounting personnel.

Criteria: Controls should be in place to properly segregate the duties of collecting police fines and maintaining subsidiary records for those fines.

Cause: Collections on police fines are decentralized, in that collections are done at the police department and not at Town hall. There is not an adequate segregation of duties over police fines collection process.

Effect: All police fines that are due to the Town may not be collected or may not be recorded properly.

Recommendation: We recommend that the Town segregate the duties of those maintaining police fines subsidiary records and those collecting payments. We also recommend that Town accounting personnel review and reconcile the subsidiary records to actual collections / deposits on a current basis.

Views of Responsible Officials and Planned Corrective Actions: The Town will work with the police department to develop appropriate controls for segregating the collections process from the maintenance of the subsidiary software. The Town will implement procedures whereby Town personnel will review police department deposits and subsidiary software reports on a current basis.

2017-005 Finding – Questioned Costs

Finding: During our testing, we noted 3 transactions totaling \$16,517, for which no vendor invoices could be located by town personnel.

Criteria: Payments should be made only from approved vendor invoices. Documentation should be maintained to support all payments / purchases.

Cause: Controls were not in place for ensuring that vendor invoices were obtained or properly retained to support these three payments.

(Continued)

Town of Vivian
Vivian, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2017
(Continued)

Effect / Questioned Costs: Without proper controls in place, unauthorized disbursements could be made. Invoices could not be provided to support three payments totaling \$16,517.

Recommendation: We recommend payments be made only from approved vendor invoices, and that all vendor invoices be properly maintained to support all purchases/payments made.

Views of Responsible Officials and Planned Corrective Actions: The Town will implement procedures for ensuring that payments are made only from approved vendor invoices. Invoices are reviewed and approved by management and will be properly filed.

2017-006 Significant Deficiency – Payroll Taxes

Condition: Several federal payroll tax deposits do not appear to have been made by the required due dates during the year. All federal payroll tax deposits do appear to have been made.

Criteria: Controls should be in place to provide for payment of federal payroll tax deposits by the required due dates.

Cause: Controls were not in place to ensure payments for federal payroll tax deposits were submitted by the required due dates.

Effect: The Town could incur penalties for late payment of payroll taxes.

Recommendation: We recommend the Town develop appropriate controls to ensure all payroll tax deposits are made by the required due dates.

Views of Responsible Officials and Planned Corrective Actions: Management is working to get filings current and ensure future filings are filed in a timely manner.

2017-007 Finding – Late Submission of Audit

Finding: The audit for the year ended June 30, 2017, was not submitted timely in accordance with state law.

Criteria: State law requires audit reports to be submitted no later than six months after the Town's fiscal year end.

Cause: The Town's accounting records were not complete and ready for audit to allow for the audit to be completed timely. There was significant turnover in the Town Clerk and other accounting personnel during the year.

Effect: The audit was not submitted timely in accordance with state law.

Recommendation: We recommend that the Town establish appropriate controls for ensuring the audit will be submitted timely in the future.

(Continued)

Town of Vivian
Vivian, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2017
(Continued)

Views of Responsible Officials and Planned Corrective Actions: The Town will work harder to provide materials needed for future audits in a timely manner.

2017-008 Finding - Budget

Condition: Actual expenditures and other financing uses for the General Fund and Sales Tax Fund exceeded budgeted expenditures by more than 5%.

Criteria: The Local Government Budget Act requires the annual budgets be amended when actual plus projected expenditures exceed budgeted amounts by more than 5%.

Cause: The Town's accounting records were not maintained on a current basis during the year. Therefore, a proper monitoring of budget to actual results could not be performed on a timely basis throughout the year.

Effect: The Town was not in compliance with the Local Government Budget Act.

Recommendation: We recommend a proper monitoring of budget to actual comparisons throughout the year and that budgets be appropriately amended when actual plus projected expenditures and other financing uses exceed budgeted amounts by more than 5%.

Views of Responsible Officials and Planned Corrective Actions: The Town will monitor the budget to actual comparisons throughout the year and make the appropriate amendments when needed.

C. Findings and Questioned Costs – Major Federal Award Programs Audit: None.

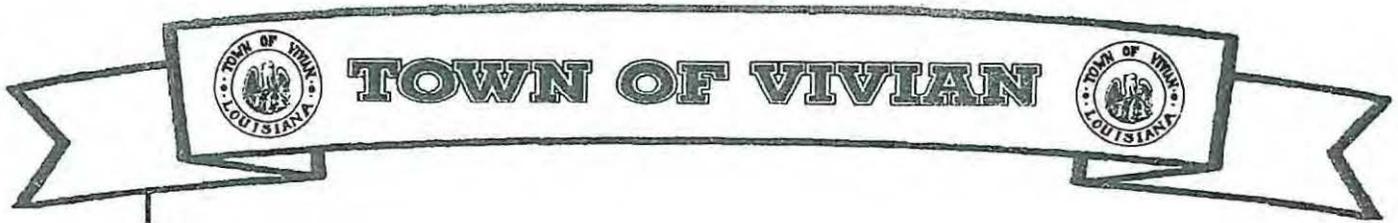
Town of Vivian
Vivian, Louisiana
Summary Schedule of Audit Findings for Louisiana Legislative Auditor
June 30, 2017

Prior Year Findings

There were two findings for the prior year audit for the year ended June 30, 2016, as described in the accompanying Summary Schedule of Prior Audit Findings.

Current Year Findings

There are eight findings for the current year audit, as described in the accompanying Schedule of Findings and Questioned Costs.



Mayor
Michael Van Schoick

Alderman-At-Large
Angela Channell

CORRECTIVE ACTION PLAN

Alderman March 21, 2018

- Ward 1 - Mandi Burton
- Ward 2 - Denise Alexander
- Ward 3 - Judy Wilson
- Ward 4 - Raymond Williams

Town of Vivian respectfully submits the following corrective action plan for the year ended June 30, 2017.

Town Clerk
Ashley Parker

Name and address of independent public accounting firm:
Cook & Morehart, CPAs
1215 Hawn Ave
Shreveport, LA 71107

Chief of Police
Ryan Nelson

Audit period: Year ended June 30, 2017

Town Attorney
Doug Dominick

FINDINGS – FINANCIAL STATEMENTS AUDIT

2017-001 Significant Deficiency - Payroll

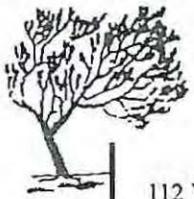
Recommendation: We recommend supervisory approval of all time sheets / time cards prior to payroll being prepared.

Action Taken: It is the Town's policy for management to approve all time sheets / time cards prior to payroll being prepared. The Town will implement procedures for ensuring that this policy is adhered to.

2017-002 Material Weakness - Collections

Recommendation: We recommend appropriate town personnel review and approve daily work and reconcile any differences between daily work and subsidiary records. We also recommend that supporting documentation be maintained for all collections.

Action Taken: Management will review and document deposits collected daily and will implement filing procedures to ensure that supporting documentation is maintained for all collections.



112 W. Alabama • P. O. Box 832 • Phone 318/375-3856 • TDD <http://www.vivian.la.us/> • Vivian, LA 71082

HOME OF LOUISIANA REDBUD FESTIVAL BLACK HISTORY PARADE COUNTRY CHRISTMAS FESTIVAL
 3rd Weekend of March 3rd Weekend of February 1st Weekend of December

"This institution is an equal opportunity provider, and employer."

2017-003 Material Weakness – Accounting Records

Recommendation: We recommend that the Town's accounting records, including budgetary financial statements, be maintained on a current basis throughout the year, and that Town bank accounts be reconciled on a monthly basis.

Action Taken: The Town is working to get records & filing system current and is providing financials to board monthly. Bank accounts are reconciled to current and are to be reconciled monthly.

2017-004 Significant Deficiency – Police Department Collections

Recommendation: We recommend that the Town segregate the duties of those maintaining police fines subsidiary records and those collecting payments. We also recommend that Town accounting personnel review and reconcile the subsidiary records to actual collections / deposits on a current basis.

Action Taken: The Town will work with the police department to develop appropriate controls for segregating the collections process from the maintenance of the subsidiary software. The Town will implement procedures whereby Town personnel will review police department deposits and subsidiary software reports on a current basis.

2017-005 Finding – Questioned Costs

Recommendation: We recommend payments be made only from approved vendor invoices, and that all vendor invoices be properly maintained to support all purchases/payments made.

Action Taken: The Town will implement procedures for ensuring that payments are made only from approved vendor invoices. Invoices are reviewed and approved by management and will be properly filed.

2017-006 Significant Deficiency – Payroll Taxes

Recommendation: We recommend the Town develop appropriate controls to ensure all payroll tax deposits are made timely.

Action Taken: Management is working to get filings current and ensure future filings are filed in a timely manner.

2017-007 Finding – Late Submission of Audit

Recommendation: We recommend that the Town establish appropriate controls for ensuring the audit will be submitted timely in the future.

Action Taken: The Town will work harder to provide materials needed for future audits in a timely manner.

2017-008 Finding – Budget

Recommendation: We recommend a proper monitoring of budget to actual comparisons throughout the year and that budgets be appropriately amended when actual plus projected expenditures and other financing uses exceed budgeted amounts by more than 5%.

Action Taken: The Town will monitor the budget to actual comparisons throughout the year and make the appropriate amendments when needed.

FINDINGS – FEDERAL AWARD PROGRAMS AUDIT

None.

If additional information is needed, please contact me at (318-375-3856).

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Van Schoick". The signature is fluid and cursive, with a large initial "M" and a long, sweeping tail.

Michael Van Schoick
Mayor

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

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MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Aldermen
Town of Vivian
Vivian, Louisiana
and the Louisiana Legislative Auditor

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

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - 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***, including receiving, recording, and preparing deposits
 - 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, and (5) monitoring card usage

- 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) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Town provided written policies and procedures addressing all of the above, except as noted below.

Exception: The Town's policies and procedures did not include:

- A policy to ensure compliance with the public bid law and documentation required to be maintained for all bids and price quotes.
- An Ethics policy, including prohibitions as defined in Louisiana Revised Statute 42:1111-1121, actions to be taken if an ethics violation takes place, a system to monitor possible ethics violations, and requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethic policy.
- A debt service policy, including debt issuance approval, EMMA reporting requirements, debt reserve requirements, and debt service requirements.

Management's Response: The Town has revised and added these policies.

Board (or Finance Committee, if applicable)

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

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

The Board of Aldermen of the Town met on a monthly basis.

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

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

Exception: The minutes of the Board of Aldermen of the Town did not reference a review of monthly budget-to-actual comparisons.

Management's Response: The Town is working to get records and filing system current and is provided financials to the Board.

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

The minutes of the Board of Aldermen of the Town did reference non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

Management provided the requested information, along with management's representation that the listing is complete.

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

- a) Bank reconciliations have been prepared.

Exception: Bank reconciliations were not prepared on a monthly basis for any of the accounts selected for testing. The Town hired an outside CPA to reconcile the accounts after the fiscal year end.

Management's Response: The Town is working to get bank accounts reconciled to current and reconciliations are to be done monthly.

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

Exception: There was no evidence that a member of management reviewed and approved the bank reconciliations for the accounts selected for testing. Bank reconciliations were not prepared on a monthly basis for any of the accounts selected for testing. The Town hired an outside CPA to reconcile the accounts after the fiscal year end.

Management's Response: The Town has implemented a new policy where the statements and reconciliations will be reviewed by management monthly.

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

For the accounts selected for testing, management has documentation reflecting that it has researched reconciling items that were more than six months old, except as noted below:

Exception: There was no indication that management had researched 33 outstanding items that were more than 6 months old totaling \$9,007 on one bank account examined.

Management's Response: Management will research old outstanding items and follow up on each in a timely manner.

Collections

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

Management provided the requested information, along with management's representation that the listing is complete.

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

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

Each person responsible for collecting cash was insured under the Town's blanket crime policy, was not responsible for recording the related transaction, and was not responsible for reconciling the related bank account.

Exceptions: Three (3) of the individuals responsible for collecting cash are sometimes the same individuals responsible for depositing the cash in the bank. One individual who sometimes collected cash shared a cash drawer with other employees. Money orders taken at the police department are kept in one central drawer; separate drawers are not used for each individual responsible for collections.

Management's Response: Separate drawers are used for each individual responsible for collections.

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

The Town has written procedures to reconcile cash collections to the general ledger by a person not responsible for collections.

Exception: For eleven (11) of the thirteen (13) deposits examined, there was no physical evidence of a review/reconciliation of cash collections to the general ledger by someone not responsible for collections.

Management's Response: Management will review and document deposits collected daily.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Exception: For the week selected for testing at the Police department, only one deposit was made for the week. Daily deposits are not made.

Management's Response: Management will review the collections process with the Police department and revise as needed to ensure timely deposits are made.

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

Exception: For the week selected for testing at Town hall, the daily work for 9 deposits totaling \$16,587.32 could not be located.

Management's Response: The Town has revised its filing procedures to ensure that all records are accounted for.

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

Exception: The Town has a process specifically defined to determine completeness of all collections by a person who is not responsible for collections; however, for ten (10) of the fourteen (14) deposits examined, there was no evidence of approval on the daily work.

Management's Response: Management will review and document deposits daily.

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

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

Management provided the requested information, along with management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Purchase orders are not required by entity policy for transactions less than \$100. All twenty five transactions tested were made from an approved invoice.

Exception: The Town's policy for purchasing does include the preparation and approval process of purchase requisitions or purchase orders for amounts \$100 or more; however, twenty-two of the twenty-five transactions tested were purchase transactions and did not contain purchase orders or equivalent.

Management's Response: The Town's new policy requires a purchase order for all purchases.

Exception: Twelve of the twenty-five transactions selected for testing should have a receiving report showing receipt of the goods purchased; however, none of the twelve contained such report.

Management's Response: The Town's new policy requires receiving reports and/or signatures.

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

The Town's policy is that new vendors can only be added to the purchasing/disbursement system from an approved purchase order. The person approving purchase orders is not responsible for processing payments.

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

Exception: For a period of time during the year, the interim Town Clerk had signatory authority and was also responsible for initiating and recording purchases.

Management's Response: The Town has separated the responsibilities of signing and initiating and recording purchases.

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

The Town's supply of unused checks is maintained in a locked location. No persons with signatory authority have access to unused check stock.

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

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

Persons with signatory authority do not use a signature stamp or signature machine.

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

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

Management provided the requested information, along with management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

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

For each card selected for testing, there were attributes indicating that someone other than the authorized card holder reviewed and approved the monthly statements and supporting documentation for the items selected for testing, except as noted below.

Exception: There were no approvals noted on any of the five Fleetcor fuel purchase card statements, one Visa card statement, and one Walmart card statement totaling \$21,375, \$5,353.99 and \$863.39, respectively.

Management's Response: Management will review and approve card purchases.

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

One of the ten statements selected for testing contained a finance charge of \$18.80.

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

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

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

Transactions tested were supported by original itemized receipts, except as noted below:

Exception: Of the cards selected for testing, there were five (5) missing receipts totaling \$638.07. In addition, there were no receipts for fuel charges totaling \$1,842.

Management's Response: The Town requires receipts for all purchases and is monitoring filings.

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

Transactions tested contained documentation of business purpose, except as noted below:

Exception: Of the cards selected for testing, there were nineteen (19) transactions totaling \$2,896.59 that did not contain a business purpose.

Management's Response: The Town requires departments, purposes, and attendants to be listed on receipts.

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

No other documentation is required by the Town's written credit card policy.

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

We compared each transaction tested to the agency's written policies and public bid law. There were no exceptions noted.

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

The Town's documentation met the requirements of Article 7, Section 14.

Travel and Expense Reimbursement

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

Management provided the requested information, along with management's representation that the listing is complete.

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

The Town's policy is to pay actual travel costs. Per diem rates are not used.

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

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals,

mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

The reimbursements selected were supported with documentation in accordance with Town's written policies.

b) Report whether each expense is supported by:

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

Expenses selected for testing contained itemized receipts that identified precisely what was purchased

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

The business purpose was documented on each invoice selected for testing.

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

Other documentation as required by the Town's written policy was attached to items selected for testing.

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

The Town's documentation met the requirements of Article 7, Section 14.

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

For each expense selected for testing, the expense and related documentation was reviewed and approved in writing by someone other than the person receiving reimbursement.

Contracts

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

Management provided the requested information, along with management's representation that the listing is complete.

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

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

There were formal, written contracts supporting the services arrangement and the amounts paid for the contracts selected for testing.

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

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

For the contracts selected for testing, the Town complied with the requirements of public bid law.

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

Not applicable.

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

One of the 5 contracts selected for testing was amended during the contract period. It was determined that the project did not require as much material as originally planned, therefore the contract was reduced by \$36,321.

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

The largest payment selected for testing from each of the five vendor contracts was supported by invoices that agreed with the terms of the contract.

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

Four of the five contracts selected for testing required Board of Alderman approval per the Town's policies. Those four contracts were approved by the Board of Aldermen.

Payroll and Personnel

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

Management provided the requested information, along with management's representation that the listing is complete.

Randomly select five employees/officials, obtain their personnel files, and:

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

For four of the five transactions selected for testing, payment was made in accordance with the terms of the approved pay rates.

Exception: For one transaction selected for testing, there was no pay rate authorization in the employee's personnel file.

Management's Response: The Mayor has reviewed and approved all pay rates and documentation is filed properly.

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

Changes made to hourly pay rates/salaries during the fiscal period were approved in writing and in accordance with the Town's written policy, except as noted below:

Exception: Two of five the payroll files selected for testing did not contain a pay rate approval form for pay changes during the period.

Management's Response: It is the Town's policy to have documentation of payroll changes approved and filed in each folder accordingly.

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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

For twenty-five of the transactions selected for testing, the daily attendance and leave were documented.

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

Transactions selected for testing contained evidence that supervisors approved the attendance and leave of the selected employees, except as noted below:

Exception: Eight of the twenty-five employees tested did not have approvals on timecards.

Management's Response: The Town will implement a policy to ensure all timesheets/timecards are approved by supervisors.

Exception: Of the employees tested, three employees were paid leave. There was no physical evidence of approval for the leave paid.

Management's Response: It is the Town's policy for management to approve employee paid leave.

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

For the transactions selected for testing, the Town maintained written leave records.

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

Management provided the requested information, along with management's representation that the listing is complete.

For the two transactions selected for testing, the termination benefits were made in accordance with the Town's written procedures.

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

Employee and employer portions of payroll taxes and retirement contributions, as well as required reporting forms, were submitted to the applicable agencies by the required deadlines, except as noted below.

Exception: The schedule B for form 941 for the 3rd quarter of 2016 was not filed. In addition, ten (10) payroll tax payments were not paid timely.

Management's Response: Management is working to get filings current and they are filed in a timely manner.

Ethics (excluding nonprofits)

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

The Town maintained documentation that demonstrated the required ethics training was completed for four of the five employees selected for testing.

Exception: One employee file selected for testing did not contain documentation to demonstrate that required ethics training was completed.

Management's Response: It is the Town's policy that all employees receive ethics training and documentation of training is filed.

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

No alleged ethics violations were reported to the entity during the fiscal period.

Debt Service (excluding nonprofits)

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

The Town did not issue any new debt during the current fiscal year.

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

The entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

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

The Town does not have any tax millages relating to outstanding debt.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management is not aware of any misappropriation of public funds or assets.

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

Exception: The Town does not have posted on its website nor on Town premises the notice required by R.S. 24:523.1.

Management's Response: The Town has satisfied the requirements of R.S. 24:523.1.

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

We have not observed or identified any exceptions regarding management's representations in the above procedures.

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

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


Cook & Morehart
Certified Public Accountants
March 21, 2018