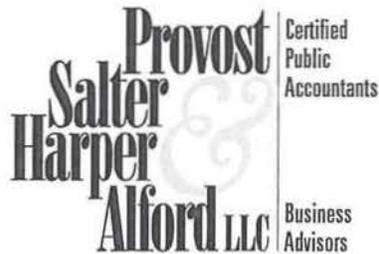


TOWN OF ADDIS, LOUISIANA

ANNUAL FINANCIAL REPORT

**As of and For the Year Ended
December 31, 2018**



8550 United Plaza Boulevard, Suite 600, Baton Rouge, Louisiana 70809, Phone: (225) 924-1772 / Facsimile: (225) 927-9075

TOWN OF ADDIS, LOUISIANA

Table of Contents

December 31, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS		1
REQUIRED SUPPLEMENTARY INFORMATION (PART I)		
Management's Discussion and Analysis		4
BASIC FINANCIAL STATEMENTS		
Government - Wide Financial Statements:		
Statement of Net Position		13
Statement of Activities		14
Fund Financial Statements:		
Governmental Activities -		
Balance Sheet		15
Reconciliation of the Balance Sheet to the Statement of Net Position		16
Statement of Revenues, Expenditures and Changes in Fund Balance		17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities		18
Business-type activities (Proprietary Fund Sewer System)		
Statement of Net Position		19
Statement of Revenues, Expenses and Changes in Net Position		21
Statement of Cash Flows		22
Notes to the Financial Statements		24
REQUIRED SUPPLEMENTARY INFORMATION (PART II UNAUDITED)		
Budgetary Comparison Schedules:		
General Fund	<i>Schedule 1</i>	50
Schedule of Employer's Proportionate Share of the Net Pension Liability	<i>Schedule 2</i>	53
Schedule of Employer's Pension Contributions	<i>Schedule 3</i>	54
OTHER INFORMATION		
Supplementary Schedules:		
Schedule of Compensation, Benefits and other Payments to Agency Head or Chief Executive Officer	<i>Schedule 4</i>	57
Schedule of Compensation Paid to Town Council	<i>Schedule 5</i>	58
Other Information		
Schedule of Insurance in Force	<i>Schedule 6</i>	59
Schedule of Statistical Data	<i>Schedule 7</i>	60

TOWN OF ADDIS, LOUISIANA

Table of Contents, Continued

December 31, 2018

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	61
Schedule of Findings and Responses	64
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	67

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CGMA/CVA
Margaret A. Pritchard, CPA/CGMA
Matthew L. Berthelot, CPA

Staci H. Joffrion, CPA/CGMA

The Honorable David Toups, Mayor
and the Council Members
Town of Addis
Addis, Louisiana

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Addis as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Addis as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information on pages 4 through 11 and 48 through 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Addis's basic financial statements. The schedule of compensation, benefits, and other payments to agency head and the schedule of compensation paid to town council, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head, and the schedule of compensation paid to town council as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

INDEPENDENT AUDITOR'S REPORT (continued)

The schedule of insurance in force and the schedule of statistical data have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express our opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019, on our consideration of the Town of Addis's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town of Addis's internal control over financial reporting and compliance.

Baxley & Associates, LLC

Plaquemine, Louisiana
June 21, 2019

Town of Addis, Louisiana

Management's Discussion and Analysis (Unaudited)

December 31, 2018

We offer the readers of the financial statements of the Town of Addis, Louisiana, this narrative overview and analysis of the financial activities of the Town of Addis (hereafter referred to as the "Town") for the fiscal year ended December 31, 2018.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018 fiscal year include the following:

- The Town's assets exceeded its liabilities at the close of the fiscal year by \$12,003,009 (net position). Of this amount, \$2,586,294 (unrestricted net position) may be used to meet the government's obligations to citizens and creditors.
- The Town's total net position increased by \$901,061 for the year ended December 31, 2018. Net position of governmental activities increased by \$492,280, and net position of business-type activities increased by \$408,781.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$3,565,287, an increase of \$154,360 in comparison with the prior fiscal year. This entire amount was unreserved, undesignated, and available for spending.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$3,565,287 or 101.6% of total General Fund expenditures.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business, and are reported in two government-wide financial statements:

- The **Statement of Net Position** presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

December 31, 2018

- The **Statement of Activities** presents information showing how the Town's net position changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

The Town's government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Town's governmental activities include general government, public safety, streets and roads. The business-type activities of the Town include sanitary sewer facilities.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. The Town's funds are classified into two categories: governmental funds and proprietary funds.

- **Governmental Funds:** These funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. The focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore, a comparison should be made between the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will present a better understanding of the long-term impact of the government's near-term financing decisions.

The Town maintains a General governmental fund which covers the operations of the Town, including police protection services for citizens, maintenance of streets and roads, and the general administrative office.

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

December 31, 2018

The Town adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

- **Proprietary funds:** The Town maintains one type of proprietary fund—*Enterprise*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its sanitary sewer facilities activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements

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

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceed liabilities by \$12,003,009 at December 31, 2018.

A large portion of the Town's net position (78 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and fixtures, machinery, vehicles and equipment), less any related debt used to acquire those assets that are still outstanding. The Town used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

A condensed version of the Town's Net Position is presented as follows:

	Government Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 3,811,495	\$ 3,543,528	\$ 797,672	\$ 602,352	\$ 4,609,167	\$ 4,145,880
Capital assets	4,058,684	3,737,640	6,820,730	5,763,078	10,879,414	9,500,718
Total assets	<u>7,870,179</u>	<u>7,281,168</u>	<u>7,618,402</u>	<u>6,365,430</u>	<u>15,488,581</u>	<u>13,646,598</u>
Deferred outflows	211,015	227,007	-	-	211,015	227,007
Current and other liabilities	209,258	96,803	756,815	104,339	966,073	201,142
Long-term liabilities	1,273,528	1,367,752	1,330,188	1,138,474	2,603,716	2,506,226
Total liabilities	<u>1,482,786</u>	<u>1,464,555</u>	<u>2,087,003</u>	<u>1,242,813</u>	<u>3,569,789</u>	<u>2,707,368</u>
Deferred inflows	126,798	64,290	-	-	126,798	64,290
Net position:						
Net Investment						
in Capital Assets	4,058,684	3,737,640	5,276,542	4,548,604	9,335,226	8,286,244
Restricted for debt service	-	-	81,489	144,676	81,489	144,676
Unrestricted	<u>2,412,926</u>	<u>2,241,690</u>	<u>173,368</u>	<u>429,337</u>	<u>2,586,294</u>	<u>2,671,027</u>
Total net position	<u>\$ 6,471,610</u>	<u>\$ 5,979,330</u>	<u>\$ 5,531,399</u>	<u>\$ 5,122,617</u>	<u>\$ 12,003,009</u>	<u>\$ 11,101,947</u>

The balance of unrestricted net position, \$2,586,294, may be used to meet the government's ongoing obligations to citizens and creditors.

At December 31, 2018, the Town is able to report positive fund balances in all categories of net position for governmental activities and business activities.

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

December 31, 2018

The Town's net position increased by \$901,061 during the current fiscal year. Net assets from governmental activities increased \$492,280 and its business-type activities had an increase of \$408,781.

A condensed version of the Town of Addis's Statement of Activities is presented as follows:

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 494,660	\$ 468,898	\$ 1,108,054	\$ 911,714	\$ 1,602,714	\$ 1,380,612
Grants and contributions	82,436	88,958	-	-	82,436	88,958
Capital grants and contributions	-	13,412	-	-	-	13,412
General revenues:						
Sales taxes	2,766,796	2,797,226	-	-	2,766,796	2,797,226
Other taxes	273,947	264,252	-	-	273,947	264,252
Other general revenues	63,307	31,968	-	-	63,307	31,968
Total revenues	<u>3,681,146</u>	<u>3,664,714</u>	<u>1,108,054</u>	<u>911,714</u>	<u>4,789,200</u>	<u>4,576,428</u>
Expenses						
General government	1,159,007	1,038,410	-	-	1,159,007	1,038,410
Public safety	1,380,992	1,392,066	-	-	1,380,992	1,392,066
Public services	648,867	558,950	-	-	648,867	558,950
Water, sewage and gas	-	-	699,273	788,623	699,273	788,623
Total expenses	<u>3,188,866</u>	<u>2,989,426</u>	<u>699,273</u>	<u>788,623</u>	<u>3,888,139</u>	<u>3,778,049</u>
Excess (Deficiency) before Transfers	492,280	675,288	408,781	123,091	901,061	798,379
Transfers	-	(292,023)	-	292,023	-	-
Change in net position	492,280	383,265	408,781	415,114	901,061	798,379
Net position, beginning of year	5,979,330	5,596,065	5,122,617	4,707,503	11,101,947	10,303,568
Net position, end of year	<u>\$ 6,471,610</u>	<u>\$ 5,979,330</u>	<u>\$ 5,531,398</u>	<u>\$ 5,122,617</u>	<u>\$ 12,003,008</u>	<u>\$ 11,101,947</u>

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

December 31, 2018

GOVERNMENTAL FUND FINANCIAL ANALYSIS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As a measure of the Town's liquidity, it may be useful to compare fund balance to total expenditures. Fund balance represents 101.6% of total fund expenditures.

During the current year, the fund balance of the Town's general fund increased by \$154,360.

Proprietary Funds. The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. As noted above, the Town maintains one enterprise fund for its sanitary sewer facilities activities. For the fiscal year ended December 31, 2018, this fund reported net assets of \$5,531,399, which is a net increase from the prior year of \$408,781.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town received \$212,936 more than its budgeted revenues. Total expenditures were more than the final amended budget by \$27,017 resulting in a \$185,919 favorable variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Town's investment in capital assets for its governmental and business type activities as of December 31, 2018 amounts to \$10,879,414 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and wastewater treatment plant.

Major capital asset events during the current fiscal year included the following:

- \$114,755 was spent to purchase and equip three new police vehicles
- \$4,800 was spent for improvements at the town park.
- \$119,486 was spent on other improvements.
- \$422,859 was spent to overlay streets.
- \$279,787 was spent on wastewater treatment plant improvements.

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

December 31, 2018

	Government Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 208,338	\$ 208,338	\$ 16,755	\$ 16,755	\$ 225,093	\$ 225,093
Land rights	-	-	42,921	42,921	42,921	42,921
Construction in Progress	-	-	636,890	115,982	636,890	115,982
Improvements other than buildings	3,460,372	3,013,820	-	-	3,460,372	3,013,820
Buildings and structures	947,517	935,517	86,169	86,169	1,033,686	1,021,686
Museum	196,669	196,669	-	-	196,669	196,669
Historic railroad park	833,435	828,599	-	-	833,435	828,599
Sewer facility	-	-	9,242,615	8,754,405	9,242,615	8,754,405
Furniture and fixtures	33,182	33,182	-	-	33,182	33,182
Vehicles						
Town	31,224	31,224	72,547	72,546	103,771	103,770
Police	543,243	466,910	-	-	543,243	466,910
Machinery and equipment						
Town	544,028	468,489	586,318	306,531	1,130,346	775,020
Police	104,701	96,449	-	-	104,701	96,449
Website	12,195	12,195	-	-	12,195	12,195
Works of art	9,343	9,343	-	-	9,343	9,343
Subtotal	6,924,247	6,300,734	10,684,215	9,395,309	17,608,460	15,696,044
Less: Accumulated depreciation	(2,865,563)	(2,563,094)	(3,863,486)	(3,632,231)	(6,729,049)	(6,195,325)
Total Capital Assets, net of A/D	\$ 4,058,684	\$ 3,737,640	\$ 6,820,729	\$ 5,763,078	\$ 10,879,412	\$ 9,500,719

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

December 31, 2018

Long-term Debt

The Department of Environmental Quality (DEQ) project to upgrade the wastewater treatment plant began in 2010 and is financed by issuance of \$1,569,060 Sewer Revenue Bonds Series 2010. The bonds were purchased by the Clean Water State Revolving Fund (CFDA 66.458) administered by the Louisiana Department of Environmental Quality. All projects were completed during 2012 and the Town had received loan proceeds in the amount of \$1,569,060. As of December 31, 2018, the outstanding loan balance was \$977,000. During 2017, another loan was approved for up to \$3,000,000 in improvements to the sewer system. The Town received \$405,714 during 2018. As of December 31, 2018, the outstanding loan balance was \$567,188. The total outstanding on the two loans was \$1,544,188 as of December 31, 2018.

Long Term Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue Bonds Payable	\$ -	\$ -	\$ 1,544,188	\$ 1,214,474	\$ 1,544,188	\$ 1,214,474
Net Pension Liability	1,273,528	1,367,752	-	-	1,273,528	1,367,752
Total Long Term Debt	\$ 1,273,528	\$ 1,367,752	\$ 1,544,188	\$ 1,214,474	\$ 2,817,716	\$ 2,582,226

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Generally, the outlook for 2019 is favorable as far as revenue is concerned. Sales tax revenue for the year is budgeted conservatively and year-to-date sales tax collected is well above projections and there are no indications this will change going forward for the remainder of the year. Health insurance premiums were budgeted for a 15% increase, but will only increase by 5.5% effective May 1, 2019, and employees were given a 4% raise, which was also budgeted. The Town's contribution to the Louisiana Municipal Police Employee Retirement program will increase from 32.25% to 32.50%, effective July 1, 2019. The Town also budgeted \$425,000 to be used for road improvement projects in 2019.

The Sewer Fund capital outlay budget was increased to secure funds for the purchase of a new utility truck for the department. Health insurance premiums were budgeted for a 15% increase, but will only increase by 5.5% effective May 1, 2019, and employees were given a 4% salary increase. All four projects under the \$3,000,000 LDEQ SRF Loan have been bid and two have been completed. The construction period on the loan has been extended to April 1, 2020.

Town Of Addis, Louisiana

Management's Discussion and Analysis (Unaudited), Continued

December 31, 2018

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Jade Simpson, Town Clerk, at (225) 687-4844.

TOWN OF ADDIS, LOUISIANA

Statement of Net Position

December 31, 2018

	Primary Government		
	Government activities	Business-type activities	Total
Assets			
Cash and cash equivalents	\$ 3,263,548	\$ 352,253	\$ 3,615,801
Investments	135,486	-	135,486
Receivables, net	363,328	125,985	489,313
Prepays	36,950	13,183	50,133
Inventory	-	8,304	8,304
Restricted Cash and cash equivalents	12,183	297,947	310,130
Capital assets:			
Non-depreciable	208,338	696,567	904,905
Depreciable, net of depreciation	3,850,346	6,124,163	9,974,509
Total assets	7,870,179	7,618,402	15,488,581
Deferred Outflow of Resources - Pension related	211,015	-	211,015
Total assets and deferred outflows of resources	8,081,194	7,618,402	15,699,596
Liabilities			
Current liabilities:			
Accounts payable	130,610	540,357	670,967
Accrued liabilities	61,316	-	61,316
Accrued interest payable	-	2,458	2,458
Refunds payable	1,000	-	1,000
Unearned revenue	4,601	-	4,601
Payable from restricted assets			
Civil bonds held	11,731	-	11,731
Bonds payable, due within one year	-	214,000	214,000
Noncurrent liabilities:			
Bonds payable, due in more than one year	-	1,330,188	1,330,188
Net pension liability	1,273,528	-	1,273,528
Total liabilities	1,482,786	2,087,003	3,569,789
Deferred Inflow of Resources - Pension related	126,798	-	126,798
Total liabilities and deferred inflows of resources	1,609,584	2,087,003	3,696,587
Net Position			
Invested in capital assets, net of related debt	4,058,684	5,276,542	9,335,226
Restricted for Debt service	-	81,489	81,489
Unrestricted	2,412,926	173,368	2,586,294
Total net position	\$ 6,471,610	\$ 5,531,399	\$ 12,003,009

TOWN OF ADDIS, LOUISIANA

Statement of Activities

For the Year Ended December 31, 2018

	Expenses	Program Revenues		Net (expenses) revenue and change in net position			
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Governmental activities	Business-type activities	Total
Functions/programs							
Primary government:							
Governmental activities:							
General government	\$ 1,159,007	\$ 277,381	\$ -	\$ -	\$ (881,626)	\$ -	\$ (881,626)
Public safety	1,380,992	208,450	82,436	-	(1,090,106)	-	(1,090,106)
Public services	648,867	8,829	-	-	(640,038)	-	(640,038)
Total governmental activities	3,188,866	494,660	82,436	-	(2,611,770)	-	(2,611,770)
Business-type activities							
Sewer user charges	699,273	1,108,054	-	-	-	408,781	408,781
Total business-type activities	\$ 699,273	\$ 1,108,054	\$ -	\$ -	-	408,781	408,781
General revenues:							
General purpose sales and use taxes					2,766,796	-	2,766,796
Franchise taxes					258,919	-	258,919
Other taxes					15,028	-	15,028
Investment earnings					8,467	-	8,467
Gain (loss) on sale of assets					21,380	-	21,380
Other income					33,460	-	33,460
Total general revenues and transfers					3,104,050	-	3,104,050
Change in net position					492,280	408,781	901,061
Net position - beginning					5,979,330	5,122,617	11,101,947
Net position - ending					\$ 6,471,610	\$ 5,531,398	\$ 12,003,008

The Accompanying Notes are an integral part of this statement

TOWN OF ADDIS, LOUISIANA

Balance Sheet-Governmental Fund-General Fund Year Ended December 31, 2018

Assets

Cash and cash equivalents	\$ 3,263,548
Investments	135,486
Receivables-	
Franchise tax	98,896
Other	33,296
Accrued interest	113
Due from other governments-	
Sales tax	229,310
Other	1,713
Restricted assets	
Cash	12,183
Total assets	<u>\$ 3,774,545</u>

Liabilities and Fund Balances

Current liabilities:	
Accounts payable	130,610
Accrued liabilities	51,401
Due to other funds	9,915
Refunds payable	1,000
Unearned revenue	4,601
Payable from restricted assets	
Civil bonds payable, due within one year	<u>11,731</u>
Total liabilities	209,258

Fund Balances

Unassigned	<u>3,565,287</u>
Total Liabilities and Fund Balances	<u>\$ 3,774,545</u>

TOWN OF ADDIS, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net position

December 31, 2018

Fund balances - total governmental funds	\$ 3,565,287
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	
Governmental capital assets	6,924,247
Less accumulated depreciation	<u>(2,865,563)</u>
	4,058,684
Prepaid insurance premiums in governmental activities are not recognized as expenditures for governmental funds	36,950
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
Pension related changes reported as deferred outflows	211,015
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Pension related changes reported as deferred inflows	(126,798)
Net pension liability	<u>(1,273,528)</u>
Net position of governmental activities	<u><u>\$ 6,471,610</u></u>

TOWN OF ADDIS, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance**Governmental Funds-General Fund****For the Year Ended December 31, 2018**

Revenues

Taxes	\$ 277,381
Franchise fees	258,919
Intergovernmental	2,834,533
Charges for services	8,829
Fines and forfeitures	208,450
Investment earnings	8,467
Miscellaneous	66,367
Total revenues	<u>3,662,946</u>

Expenditures

Current	
General government	1,064,377
Public safety	1,273,225
Roads and drainage	509,048
Capital outlay	661,936
Total expenditures	<u>3,508,586</u>

Excess (Deficiency) of Revenues Over

Expenditures	154,360
--------------	---------

Fund Balance

Beginning	<u>3,410,927</u>
Ending	<u>\$ 3,565,287</u>

TOWN OF ADDIS, LOUISIANA

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, Changes in Fund Balances to the Statement of Activities For the Year Ended December 31, 2018

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

Net change in fund balances - total governmental funds	\$ 154,360
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.	
Capital outlay	661,936
Depreciation expense	<u>(329,365)</u>
	332,571
In the statement of activities, only the gain on the disposal of vehicles is recorded, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance and by the book value of the vehicle.	
	(11,527)
Expenditures that do not use current financial resources are not reported as expenses in the Statement of Activities	
Current prepaid insurance	36,950
Prior year prepaid insurance	<u>(35,798)</u>
	1,152
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	<u>15,724</u>
Change in net position of governmental activities	<u>\$ 492,280</u>

TOWN OF ADDIS, LOUISIANA

Statement of Net Position, Proprietary Fund**December 31, 2018**

	Business-type Activities Enterprise Fund Sewer Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 352,253
Accounts receivable, net	75,256
Unbilled accounts receivable	40,814
Due from other funds	9,915
Prepaid expenses and other current assets	13,183
Inventory-tanks	8,304
Total current assets	<u>499,725</u>
Non-current Assets	
Restricted:	
Cash and cash equivalents	297,947
Total restricted assets	<u>297,947</u>
Capital assets:	
Non-depreciable	696,567
Depreciable, net of accumulated depreciation	6,124,163
Total capital assets (net of accumulated depreciation)	<u>6,820,730</u>
Total non-current assets	<u>7,118,677</u>
Deferred Outflows of Resources	-
Total assets and deferred outflows of resources	<u>7,618,402</u>

TOWN OF ADDIS, LOUISIANA

Statement of Net Position, Proprietary Fund, Continued
December 31, 2018

	Business-type Activities Enterprise Fund Sewer System
Liabilities	
Current Liabilities (payable from current assets):	
Accounts payable	540,357
Deferred revenue	-
Current liabilities payable from restricted assets:	
Accrued interest payable	2,458
Sewer revenue bonds payable	214,000
Total current liabilities	<u>756,815</u>
Non-current Liabilities:	
Sewer revenue bonds payable	<u>1,330,188</u>
Total non-current liabilities	<u>1,330,188</u>
Total liabilities	<u>2,087,003</u>
Deferred Inflows of Resources	
Total liabilities and deferred inflow of resources	<u>-</u> <u>2,087,003</u>
Net Position	
Invested in capital assets, net of related debt	5,276,542
Restricted for debt service	81,489
Unrestricted	<u>173,368</u>
Total net position	<u>\$ 5,531,399</u>

TOWN OF ADDIS, LOUISIANA

**Statement of Revenues, Expenses and
Changes in Fund Net Position****Proprietary Fund****For the Year Ended December 31, 2018**

	Business-type Activities Enterprise Fund Sewer System
Operating Revenues	
Charges for services	\$ 938,210
Installations	13,628
Impact Fees	153,750
Miscellaneous	2,466
Total Operating Revenues	<u>1,108,054</u>
Operating Expenses	
Personal services	208,728
Utilities	60,731
Operating expenses	162,726
Contract services	35,832
Depreciation	231,255
Total Operating Expenses	<u>699,272</u>
Operating Income (Loss)	<u>408,782</u>
Change in net position	408,782
Net position	
Beginning	<u>5,122,617</u>
Ending	<u>\$ 5,531,399</u>

TOWN OF ADDIS, LOUISIANA

Statement of Cash Flows**Proprietary Fund****For the Year Ended December 31, 2018**

	Business-type Activities Enterprise Fund Sewer System
<hr/>	
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,185,579
Payments to suppliers	(256,628)
Payments to employees for services and benefits	(208,728)
Other operating cash receipts	<u>2,466</u>
Net Cash Provided By (Used In) Operating Activities	<u>722,689</u>
Cash Flows From Noncapital Financing Activities	
Proceeds from general fund advances	-
Transfers from other funds	<u>(9,915)</u>
Net Cash Provided By (Used in) Noncapital Financing Activities	<u>(9,915)</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from bonds issued	405,715
Purchase of capital assets	(756,929)
Operating grant	-
Interest and administrative fees paid	556
Principal paid on revenue bonds	(76,000)
Bond issuance costs	<u>-</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(426,658)</u>
Increase (Decrease) in Cash and Cash Equivalents	286,116
Cash and Cash Equivalents	
Beginning	<u>364,084</u>
Ending	<u>\$ 650,200</u>
Cash and Cash Equivalents	\$ 352,253
Restricted Assets	<u>297,947</u>
Totals	<u>\$ 650,200</u>

TOWN OF ADDIS, LOUISIANA

*Statement of Cash Flows**Proprietary Fund, Continued**For the Year Ended December 31, 2018*

	Business-type Activities Enterprise Fund Sewer System
Cash Flows From Operating Activities	
Operating income	\$ 408,782
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	231,255
(Increase) decrease in assets	
Accounts receivable	87,545
Unbilled accounts receivable	(4,147)
Prepaid expenses	(1,110)
Inventory	18,423
Increase (decrease) in liabilities	
Accounts payable	(14,652)
Deferred Revenue	(3,407)
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 722,689</u></u>

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements

December 31, 2018

1. INTRODUCTION

The Town of Addis was incorporated September 1915, under the provisions of Title 33, Chapter 2, Part I, of the Louisiana Revised Statutes (Lawrason Act - Act No. 36 of 1898). The Town operates under a Mayor - Council form of government and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

The Town's financial statements are prepared in accordance 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 accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The more significant accounting policies established in GAAP and used by the Town are discussed below.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The financial reporting entity consists of (a) the primary government (Town of Addis) (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement 61, *The Financial Reporting Entity: Omnibus* established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement the basic criteria are as follows:

- Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
- Whether the Town governing authority appoints a majority of board members of the potential component unit (or serves as board members of potential component unit as required by law) and whether operational responsibility for the potential component unit rests with the management of the primary government.
- Fiscal interdependency between the Town and potential component unit.
- Imposition of will by the Town on the potential component unit.
- Financial benefit/burden relationship between the Town and the potential component unit.

Based on the above criteria, the Town has no component units.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

BASIC FINANCIAL STATEMENTS -- GOVERNMENT-WIDE STATEMENTS

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police, public works, and general administrative services are classified as governmental activities. The Town's sewer services are classified as business- type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) 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'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's functions and business-type activities. The functions are also supported by general government revenues (sales and use tax, franchise tax, and certain governmental 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 (public safety, public works and general administration) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (sales and use tax, franchise tax, intergovernmental revenue, interest income, etc.).

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

BASIC FINANCIAL STATEMENTS -- FUND FINANCIAL STATEMENTS

The financial transactions of the Town are reported in individual funds in the 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.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

The emphasis in fund financial statements is on the major funds for either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town had no non-major funds.

Governmental Funds. The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of current financial resources) rather than upon net income. Expendable assets are assigned to funds according to the purpose for which they may be used. Current liabilities are assigned to funds from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable: resources that may be used to finance future period operations of the Town. The Town reports these major governmental funds and fund types:

General Fund. The General Fund is the main operating fund of the Town. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Fund Types. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town reports the following proprietary fund types:

Enterprise Fund. Used to account for operations for which a fee is charged to external users for sewer services. The activities reported in this fund are reported as business-type activities in the government-wide financial statements.

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

Accrual. Both the 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. Non-exchange revenues, including intergovernmental revenues and grants are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

Modified Accrual. The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the 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. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

Cash and cash equivalents. The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposit, government backed securities, state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments are reported at their fair value.

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

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

Level 2 – Inputs including

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

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

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

Receivables. All receivables are reported net of estimated uncollectible amounts.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

Inventories and Prepaid Items. All inventories are valued at cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and business-type fund financial statements.

Expenditures by the governmental funds for insurances or similar services that extend over more than one reporting period are not required to be allocated, but may be accounted for as expenditures in the period paid and is known as the non-allocation method. The Governmental Fund - General Fund - fund financial statements utilizes the non-allocation method.

Capital Assets. Capital assets, which include property, plant equipment, and infrastructure assets (e.g. roads, bridges, sidewalk and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated historical cost. 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. The Town maintains a threshold level of \$2,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current fiscal year no interest was incurred in the capitalized projects.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Building improvements	20 years
Improvements other than buildings	20 years
Sewer system	40-43 years
Mowers, tractors and attachments	10-15 years
Light trucks & equipment	5 years

Compensated Absences. Employees of the Town earn vacation or sick leave at varying rates based upon length of service. Vacation leave in non-cumulative, any unused vacation not taken by December 31, is lost. Unused personal/sick leave may be carried into the first ninety days of the subsequent year,

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

any unused personal/sick leave not taken by March 31 is lost. Any unused personal/sick leave is immaterial, therefore, no accrual has been made.

Long-Term Debt. Long-Term Debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term obligations for governmental funds are not reported as a liability in the fund financial statements.

The reporting of long-term debt in the proprietary statements is the same in the fund statements as it is in the government-wide statements.

Fund Equity. Government-wide and proprietary fund net position are divided into three components:

- Net investment in capital assets - consist of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position - consist of assets that are restricted by the Town's creditors, by state enabling legislation, by grantors, and by other contributors, less related liabilities and deferred inflows of resources.
- Unrestricted -- all other net position are reported in this category.

Fund Financial Statements. In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable -- Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed - Amounts that can be used only for specific purposes determined by a formal action by Town ordinance or resolution.
- Assigned - Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Board of Councilmen.
- Unassigned - All amounts not included in other spendable classifications.

Use of Restricted Resources. When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

Interfund Activity. Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

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

Defining Operating Revenues and Expenses. The Town's proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses of the Town's sewer fund consists of charges for services (including system development charges) and the costs of providing those services, including depreciation. All other revenues and expenses are reported as non-operating.

Deferred Outflows of Resources and Deferred Inflows of Resources and Net Position. In December 2010, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

In addition to assets, the statement of financial position or balance sheet 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.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

Current Year Adoption of New Accounting Standards. The Town was not required to adopt any new accounting standards in the preparation of this Annual Financial Report.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

- A proposed budget is prepared and submitted by the Mayor to the Board of Councilmen prior to the beginning of each fiscal year. The proposed budget is published in the official journal and made available for public inspection. A public hearing is called to obtain taxpayer comments.
- The budget is adopted through passage of an ordinance prior to commencement of the fiscal year for which the budget is being adopted.
- 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 approval from the Board of Councilmen.
- Budgets for the General is adopted on a GAAP basis therefore these funds utilize the same basis of accounting for both budgetary purposes and actual results. The Budgetary Comparison Schedule presents a comparison of budgetary data and actual results of operations for which budgets are legally adopted.
- All budgetary appropriations lapse at the end of each fiscal year.
- The level of budgetary control is total appropriations.

3. DEPOSITS AND INVESTMENTS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or other federally insured investments, certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

Bank Deposits. The Town's policy as well as State law requires deposits, (cash and certificates of deposits) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes federal deposit insurance and securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security deposits. Obligations furnished as security must be held by the political subdivision or an

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

unaffiliated bank, or with a trust company for the accounts of the political subdivision. The current year end balances of deposits are as follows:

Deposits do not include \$816 on cash on hand.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a policy for custodial credit risk which reflects state law. As of December 31, 2018 the Town had \$4,219,776 in deposits (collected bank balances). These deposits were secured from risk by \$511,808 in federal deposit insurance and \$4,211,935 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3) and none were unsecured and uninsured.

Financial statement classification	Demand Deposits	Certificates of Deposit	Total
Cash and cash equivalents	\$ 3,615,801	\$ -	\$ 3,615,801
Investments	-	135,486	135,486
Restricted Cash and cash equivalents	310,130	-	310,130
Balance per City books	<u>\$ 3,925,931</u>	<u>\$ 135,486</u>	<u>\$ 4,061,417</u>
Institutional balances	<u>\$ 4,085,106</u>	<u>\$ 135,486</u>	<u>\$ 4,220,592</u>

4. INVESTMENTS

Investments are stated at fair value.

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction the Town will not be able to recover the value of the investment. Investments are exposed to custodial risk if the securities are (a) uninsured and unregistered and held by the counterparty or (b) uninsured, unregistered and held by the counterparty's trust department or agent but not in the name of the Town. The following chart presents the investment position of the Town at December 31, 2018. The various types of investments are listed and presented by whether they are exposed to custodial credit risk.

Investments not subject to collateralization.

Interest Rate Risk: The Town has no formal policy regarding interest rate risk.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

	Change in Investments	
	Amortized Cost	Fair Value
Balance, December 31, 2017	\$ 135,225	\$ 135,225
Add:		
Investment purchase	261	261
Balance, December 31, 2018	\$ 135,486	\$ 135,486

The following table sets forth by level within fair value hierarchy the Town's assets at estimated fair value as of December 31, 2018:

Type of Investment	Category			Carrying Amount	Fair Value
	1	2	3		
Certificates of deposit	\$ 135,486	\$ -	\$ -	\$ 135,486	\$ 135,486
Total	\$ 135,486	\$ -	\$ -	\$ 135,486	\$ 135,486

5. RECEIVABLES

The following is a summary of receivables for December 31, 2018:

	General Fund	Sewer Fund	Total
Sales tax	\$ 229,310	\$ -	\$ 229,310
Franchise tax	98,896	-	98,896
Accounts receivable	-	125,985	125,985
Accrued interest	113	-	113
Other	35,009	-	35,009
Total Receivables	363,328	125,985	489,313
Allowance for Uncollectibles	-	-	-
Receivables, Net	\$ 363,328	\$ 125,985	\$ 489,313

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

6. CAPITAL ASSETS SUMMARY

	Beginning Balance December 31, 2017	Increases	Decreases	Ending Balance December 31, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 208,338	\$ -	\$ -	\$ 208,338
Capital assets, being depreciated:				
Improvements other than buildings	3,013,820	446,554	-	3,460,374
Buildings and structures	935,517	12,000	-	947,517
Historical Railroad Park Museum	828,599	4,836	-	833,435
Furniture and fixtures	196,669	-	-	196,669
Vehicles-Town	33,182	-	-	33,182
Machinery & equipment	31,224	-	-	31,224
Website	468,489	75,539	-	544,028
Works of Art	12,195	-	-	12,195
Police Department Equipment	9,343	-	-	9,343
Police Department Vehicles	96,449	8,252	-	104,701
Total capital assets, being depreciated	466,910	114,755	38,423	543,242
Less accumulated depreciation for:	6,092,397	661,936	38,423	6,715,910
Improvements other than buildings	939,628	150,911	-	1,090,539
Buildings and structures	476,203	22,531	-	498,734
Historical Railroad Park Museum	257,311	40,899	-	298,210
Furniture and fixtures	89,948	4,853	-	94,801
Vehicles-Town	33,182	-	-	33,182
Machinery & equipment	26,631	3,445	-	30,076
Website	356,092	24,232	-	380,324
Works of Art	12,195	-	-	12,195
Police Department Equipment	9,343	-	-	9,343
Police Department Vehicles	76,001	7,548	-	83,549
Total accumulated depreciation	286,561	74,946	26,896	334,611
Total capital assets, being depreciated, net	2,563,095	329,365	26,896	2,865,563
Governmental activities capital assets, net	3,529,302	332,571	11,527	3,850,347
	\$ 3,737,640	\$ 332,571	\$ 11,527	\$ 4,058,684

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

Depreciation expense was charged to government functions as follows:

General Government	\$ 100,374
Public Safety - Police Department	87,906
Public Works	141,085
Total	<u>\$ 329,365</u>

The following is a summary of the changes in property, plant and equipment of the Enterprise Fund- Sewer System for the year ended December 31, 2018:

	Beginning Balance December 31, 2017	Increases	Decreases	Ending Balance December 31, 2018
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 16,755	\$ -	\$ -	\$ 16,755
Land rights	42,921	-	-	42,921
Construction in Progress	115,981	951,032	(430,123)	636,890
	<u>175,657</u>	<u>951,032</u>	<u>(430,123)</u>	<u>696,566</u>
Capital assets, being depreciated:				
Buildings	86,169	-	-	86,169
Sewer facility	8,754,405	488,210	-	9,242,615
Machinery & Equipment	306,531	279,787	-	586,318
Vehicles	72,547	-	-	72,547
Total capital assets, being depreciated	<u>9,219,652</u>	<u>767,997</u>	<u>-</u>	<u>9,987,649</u>
Less accumulated depreciation for:				
Buildings	17,035	2,207	-	19,242
Sewer facility	3,287,627	210,324	-	3,497,951
Machinery & Equipment	273,077	12,378	-	285,455
Vehicles	54,492	6,346	-	60,838
Total accumulated depreciation	<u>3,632,231</u>	<u>231,255</u>	<u>-</u>	<u>3,863,486</u>
Total capital assets, being depreciated, net	<u>5,587,421</u>	<u>536,742</u>	<u>-</u>	<u>6,124,163</u>
Business-type activities capital assets, net	<u>\$ 5,763,078</u>	<u>\$ 1,487,774</u>	<u>\$ (430,123)</u>	<u>\$ 6,820,729</u>

The amount of interest that was included in capital assets was \$13,340 for the year ended December 31, 2018.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

7. LONG TERM LIABILITIES

On November 10, 2010, the Town issued Sewer Revenue Bonds, Series 2010 in the amount of \$1,569,060 for the purpose of paying the costs of constructing and acquiring improvements and extensions to the Town's sewer system. The bonds were purchased by the Louisiana Department of Environmental Quality financed by the Clean Water State Revolving Fund. The Wastewater Treatment Facility phase of the project was completed during 2011 and the Pump Station and Force Main phase was completed in 2012. During 2017, the Town was approved for up to \$3,000,000 for improvements to the sewer system. Purchase price of the bonds are distributed to the Town in installments as construction progresses. The Town received \$405,714 during 2018. The total outstanding on the two loans was \$1,544,188 as of December 31, 2018.

	Issued	Original Amount	Matures	Interest Rate
Sewer Revenue Bonds - Series 2010	11/9/2010	\$ 1,569,060	11/1/2030	0.45%
Sewer Revenue Bonds - Series 2017	6/14/2017	567,188	11/1/2023	0.45%

	Balance at December 31, 2017	Additions or Bonds Issued	Bonds Redeemed and Other Reductions	Balance at December 31, 2018	Amount due within One Year
Sewer Revenue Bonds - Series 2010	\$ 1,053,000	\$ -	\$ 76,000	\$ 977,000	\$ 77,000
Sewer Revenue Bonds - Series 2017	161,474	405,714	-	567,188	137,000
Total long-term debt	\$ 1,214,474	\$ 405,714	\$ 76,000	\$ 1,544,188	\$ 214,000

The annual maturities for the bonds for the years subsequent to December 31, 2018 are as follows:

Year Ending December 31,	Principal	Interest
2019	\$ 214,000	\$ 14,670
2020	216,000	12,637
2021	219,000	10,585
2022	220,000	8,505
2023	91,188	6,414
2024-2028	413,000	1,960
2029-2030	171,000	1,157
	<u>\$ 1,544,188</u>	<u>\$ 55,928</u>

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

8. RESTRICTED ASSETS

The bond ordinance for the Sewer Revenue Bonds, Series 2010 and 2017 requires the creation of the following accounts:

- Sewer Revenue Bond and Interest Sinking Fund which must be funded by making monthly deposits equal to the principal, interest and administrative fee for such month to be used for the payment of bonds, interest and administrative fee when they become due.
- Sewer Revenue Bond Reserve Fund to be retained solely for the purpose of paying principal of and interest on bonds payable to which there would otherwise be default by depositing each month a sum equal to at least 25% of the amount deposited in the Sewer Revenue Bond and Interest Sinking Fund until a balance of \$122,604 is achieved.
- Sewer Depreciation Additions and Contingency Fund to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System by depositing an amount equal to 5% of the net revenues for the preceding month provided the sum is available after meeting the first two requirements until a balance of \$150,000 is achieved.

Account balances as of December 31, 2018 are as follows:

Account Name	Balance
Sewer Bond & Interest Sinking Fund	\$ 95,653
Sewer Revenue Reserve Fund	124,550
Sewer Depreciation, Additions & Contingency Fund	77,694
2017 DEQ Construction Fund	50
Total	<u>\$ 297,947</u>

9. FRANCHISE AGREEMENTS

Cable Television

A non-exclusive cable franchise was granted to Cox Communications, Inc., on June 20, 2005 for a period of 25 years. The annual franchise fee is 5% of the company's gross receipts.

On October 1, 2008, the Town passed ordinance No. 2008-9, setting franchise fees for all cable or video services at 5% of gross receipts from operations within the Town's municipal limits.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

Electric

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

10. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

The Town's police chief and police officers received about \$52,709 in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections. The Town recognizes this supplemental pay received by the employees as revenues and expenditures of the Town. The revenues are reported in the General Fund and the expenditures are included in Public Safety expenditures.

11. INTERFUND BALANCES

The Town reports interfund balances between its funds. The totals of all balances agree with the sum of interfund balances present in the fund statements.

	Due From		
	General Fund	Sewer Fund	Total
Due To			
General Fund	\$ -	\$ -	\$ -
Sewer Fund	9,915	-	9,915
Total	\$ 9,915	\$ -	\$ 9,915

The balances primarily result from the time lag between the dates the 1) transactions are recorded in the accounting system and 2) payments between funds are made.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

12. PENSION PLAN

The Town's police employees are members of the Municipal Police Employees Retirement System of Louisiana. The system is a cost sharing, multiple-employer defined benefit pension plan administered by separate board of trustees. Pertinent information relative to the plan follows:

Plan Description. The Municipal Police Employees' Retirement System (MPERS) is a cost-sharing multiple-employer defined benefit plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefits Provided. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

1. Retirement

Membership Prior to January 1, 2013

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

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

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

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Membership Commencing January 1, 2013

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

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

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

2. Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account.

3. Initial Benefit Option Plan

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

4. Cost of Living Adjustments

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

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

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

Contributions

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

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

For the year ended June 30, 2018, total contributions due for employers and employees were 40.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 30.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 30.75% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 33.25% and 7.5%, respectively.

Non-employer contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended December 31, 2018 and included in pension expense.

The Town's contractually required composite contribution rate for the year ended December 31, 2018 was 30.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Town were \$133,634 for the year ended December 31, 2018.

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

At December 31, 2018, the Employer reported a liability of \$1,273,528 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town's proportion of the Net Pension Liability was based on a projection of the Town's projected contribution effort to the plan for the next fiscal year as compared to the total of all employers' projected contribution effort to the plan for the next fiscal year, actuarially determined. At June 30, 2018, the Town's proportion was .1506%, which was a decrease of .006% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense of \$156,628 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$30,091).

TOWN OF ADDIS, LOUISIANA

*Notes to Financial Statements, Continued**December 31, 2018*

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 59,339
Changes of assumptions	83,224	-
Net difference between projected and actual earnings on pension plan investments	61,050	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	67,459
Town contributions subsequent to the measurement	66,741	-
Total	<u>\$ 211,015</u>	<u>\$ 126,798</u>

\$66,741 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	MPERS
2019	\$ 14,719
2020	(20,654)
2021	(55,023)
2022	2,219

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2018 and 2017 are as follows:

Valuation Date	June 30, 2018 and 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.5%, net of investment expense
Inflation Rate	2.6% per annum
Salary Increases, including Inflation and merit	

<u>Years of Service</u>	<u>Salary Growth Rate</u>
1-2	9.75%
3-23	4.75%
over 23	4.25%

Mortality Rate

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and 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 set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
	2018
Equity	3.58%
Fixed Income	0.46%
Alternatives	1.07%
Other	0.17%
Totals	5.28%
Inflation	2.75%
Expected Arithmetic Nominal Return	8.03%

Discount Rate

The discount rate used to measure the total pension liability was 7.2%. 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.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

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

The following presents the Employer's proportionate share of the Net Pension Liability using the discount rate of 7.2%, as well as what the Employer's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (6.2%) or one percentage-point higher (8.2%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$ 1,789,660	\$ 1,273,528	\$ 840,514

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS 2018 Comprehensive Annual Financial Report at www.Lampers.org.

13. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all permanent Town employees, permits them to defer until future years up to 100% of annual compensation not to exceed \$18,500 in 2018, adjusted thereafter for cost of living adjustments in \$500 annual increments up to age 50; participants age 50 and over are eligible for catch-up contributions provided the catch-up contributions do not exceed the catch-up limit for the taxable year. The Town contributes on behalf of its employees based upon employee contributions with a maximum match of 20.1 %. The Town also contributes an additional annual contribution for participating full time employees of \$1,500, except for police officers. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with GASB No. 32 the Town is no longer required to report the plan in its financial statements.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

14. Intergovernmental Agreements

West Baton Rouge Parish Natural Gas and Water Systems –

A service agreement is in effect between West Baton Rouge Parish and the Town in which the Parish agrees to bill and collect sewer fees from water customers served by the Town sewer system. The sewer rates are based on water usage, and customers may have their water service discontinued for non-payment of sewer fees. The amount due from the Parish for customer sewer fees billed through December 31, 2018 was \$116,070.

15. Sewer User Fees

Charges for sewer use are as follows:

Residential - \$14.00 plus \$2.50 per 1,000 gallons after 4,000.

Non-residential - \$24.00 plus \$2.50 per 1,000 gallons after 4,000.

16. Economic Dependence

The Town of Addis received 57.8% of its total revenue from parish sales tax.

17. Risk Management

The Town of Addis is exposed to various risks of loss for which the Town carries commercial insurance. There have been no reductions in insurance coverage during the last year. Settled claims have not exceeded coverage in the last three years.

18. Contingencies and Commitments

Litigation - In the opinion of the Town's management after consultation with legal counsel, the potential loss for any claims and lawsuits will not materially affect the Town's financial position.

The town is in the process of improving their sewer facility. Construction costs related to the project are expected to be approximately \$3,000,000 and is financed with revenue bonds purchased by the Louisiana Department of Environmental Quality, financed by the Clean Water State Revolving Fund (See Note 7). The project is comprised of several phases and is expected to be complete within 3-4 years.

TOWN OF ADDIS, LOUISIANA

Notes to Financial Statements, Continued

December 31, 2018

The Louisiana Department of Environmental Quality purchase of the Taxable Sewer Revenue Bond – Series 2017 was financed by the Drinking Water Revolving Loan Fund, a federal program operated through the United States Environmental Protection Agency (EPA). Amounts received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Town. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

19. Subsequent Events

These financial statements considered subsequent events through June 21, 2019 which is the date the financial statements were available to be issued. No events occurring after this date have been evaluated for inclusion in these financial statements.

TOWN OF ADDIS, LOUISIANA

Required Supplementary Schedules

December 31, 2018

TOWN OF ADDIS, LOUISIANA

Required Supplementary Schedules

December 31, 2018

Budgetary Comparison Schedules

Town of Addis, Louisiana
Budgetary Comparison Schedule
General Fund

For the Year Ended December 31, 2018

Notes:

The Original and Final Budgets are prepared using the Modified Accrual Basis of Accounting

TOWN OF ADDIS, LOUISIANA

Schedule of Revenues and Other Financing

Year Ended December 31, 2018

Sources - Budget and Actual

General Fund

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Taxes and licenses				
Occupational license	\$ 137,000	\$ 143,400	\$ 145,173	\$ 1,773
Building permits	60,000	132,000	132,083	83
Trailer moving permits	150	150	125	(25)
Bartender permits	100	-	-	-
Franchise fees				
Entergy	170,000	175,000	187,914	12,914
Cable television	16,000	16,000	53,753	37,753
Telephone	8,000	12,817	17,252	4,435
Intergovernmental				
Sales tax-parish	1,250,000	1,153,000	1,183,029	30,029
Sales tax-district	1,350,000	1,590,133	1,583,767	(6,366)
Alcoholic beverage tax	2,300	2,300	2,974	674
Video poker tax	5,000	4,200	5,094	894
State of Louisiana - Police Supplemental Pay	-	-	52,709	52,709
Emergency Task Force Grant	2,000	-	-	-
LGAP Grant	25,000	-	-	-
Highway maintenance	7,400	6,860	6,860	-
Charges for services				
Rental-Civic Center	4,000	4,500	4,525	25
Planning and zoning	500	100	100	-
Grass mowing-town	100	-	-	-
Culvert program	20,000	4,500	4,304	(196)
Fines and forfeitures	200,000	200,000	208,450	8,450
Investment earnings	2,000	2,500	8,467	5,967
Sale of fixed assets	1,000	-	32,907	32,907
Miscellaneous	21,500	33,650	33,460	(190)
Amounts available for appropriation	3,282,050	3,481,110	3,662,946	181,836
Current				
General government	1,102,150	1,061,350	1,064,377	(3,027)
Public safety-police	1,227,700	1,239,560	1,273,225	(33,665)
Public works-Streets & sanitation	498,950	506,200	509,048	(2,848)
Capital Outlay				
General government	150,000	30,000	38,561	(8,561)
Museum and park	80,000	40,000	4,836	35,164
Police	90,000	85,000	123,007	(38,007)
Public Works	682,500	519,000	495,532	23,468
Total Expenditures	\$ 3,831,300	\$ 3,481,110	\$ 3,508,586	\$ (27,476)
Excess (Deficiency) of Revenue over Expenditures	\$ (549,250)	\$ -	\$ 154,360	\$ 154,360

TOWN OF ADDIS, LOUISIANA**Schedule of Revenues and Other Financing****Year Ended December 31, 2018****Sources - Budget and Actual****General Fund (continued)**

	Original Budget	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Transfers in/(Out)				
Enterprise Fund-Sewer Fund	-	-	-	-
Total transfers In/(Out)	-	-	-	-
Net Change in Fund Balance	(549,250)	-	154,360	154,360
Beginning Fund Balance			3,410,927	3,410,927
Ending Fund Balance	\$ (549,250)	\$ -	\$ 3,565,287	\$ 3,565,287

TOWN OF ADDIS, LOUISIANA*Schedule of Employer's Proportionate Share of the Net Pension Liability**Year Ended December 31, 2018*

Fiscal Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll 1/1/18-12/31/18	Employer's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
<u>MPERS:</u>					
2018	0.1506%	\$ 1,273,528	\$ 444,562	311.95%	71.39%
2017	0.1566%	\$ 1,367,752	\$ 467,694	292.45%	70.08%
2016	0.1689%	\$ 1,575,130	\$ 470,755	334.60%	66.04%
2015	0.1669%	\$ 1,307,456	\$ 452,032	289.24%	70.73%
2014	0.1678%	\$ 1,049,965	\$ 455,470	230.52%	75.10%
2013	0.1500%	\$ 1,198,368	\$ 350,076	342.32%	66.71%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of June 30, 2018.

TOWN OF ADDIS, LOUISIANA*Schedule of Employer's Pension Contributions**Year Ended December 31, 2018*

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll 1/1/18-12/31/18	Contributions as a Percentage of Covered Employee Payroll
--------------------	--	---	---	---	--

MPERS:

2018	\$ 136,836	\$ 136,836	\$ -	\$ 444,562	30.75%
2017	\$ 148,493	\$ 148,493	\$ -	\$ 467,694	31.75%
2016	\$ 138,872	\$ 138,872	\$ -	\$ 470,755	29.50%
2015	\$ 140,570	\$ 140,570	\$ -	\$ 465,948	31.50%
2014	\$ 137,021	\$ 137,021	\$ -	\$ 438,494	31.00%
2013	\$ 127,192	\$ 127,192	\$ -	\$ 355,615	31.00%

TOWN OF ADDIS, LOUISIANA

*Notes to Required Supplementary Schedules
Schedule of Employer's Proportionate Share of the
Net Pension Liability and Schedule of Employer's
Pension Contributions*

December 31, 2018

Changes of Benefit Terms

There were no changes in benefit terms.

Changes of Assumptions

There were no changes in actuarial assumptions.

TOWN OF ADDIS, LOUISIANA

Other Supplementary Information

December 31, 2018

TOWN OF ADDIS, LOUISIANA*Schedule of Compensation Paid to Mayor**Year Ended December 31, 2018***Agency Head Name: Mayor David Toups****Purpose**

Salary	\$	72,782
Benefits - insurance		24,130
Benefits - retirement		17,025
Social Security and Medicare employer contributions		7,605
Car allowance		4,800
Registration fees		200
Meals		54
	\$	<u>126,596</u>

TOWN OF ADDIS, LOUISIANA

Schedule of Compensation Paid to Town Council

Year Ended December 31, 2018

Council Member

Kevin Leblanc	\$ 8,700
Rhonda L. Kelly	8,700
Russell L Parrish	8,700
Tate G. Acosta	8,700
Wilson E Cazes	8,700
	<hr/>
	\$ 43,500
	<hr/>

TOWN OF ADDIS, LOUISIANA

Schedule of Insurance in Force

Year Ended December 31, 2018

EMC Insurance	Fidelity Bond - Mayor-David Toups	\$40,000 employee faithful performance bond	9/1/18-9/1/19
Western Surety Co	Fidelity Bond - Police Chief R Anderson	\$40,000 employee faithful performance bond	9/1/18-9/1/19
Louisiana Municipal Risk Management Agency	Workers Compensation	Statutory	1/1/18-12/31/18
EMC Insurance Co	Business Protection - Property & Inland Marine	Buildings, lift stations, EDP equipment	12/12/18-12/12/19
EMC Insurance Co	Crime	Theft	9/1/18-9/1/19
Louisiana Municipal Risk Management Agency	Auto & Commercial General liability, Errors and Omissions, Law Enforcement Officer	All risks \$500,000 Combined Single Limit; Comprehensive ACV with a \$250 deductible	5/1/2018-5/1/19
New Hampshire Insurance Co	Flood insurance- 7833 Ray Rivet Drive	Building-\$60,100 Contents \$9,600	5/14/18-5/14/19
New Hampshire Insurance Co	Flood insurance- Town Hall	Building-\$93,300 Contents \$28,200	6/21/18-6/21/19

TOWN OF ADDIS, LOUISIANA*Schedule of Statistical Data**Year Ended December 31, 2018*

Number of sewer customers for the year ended December 31, 2018	2,322
User fee in effect at December 31, 2018:	
Residential:	
First 4,000 gallons of water used	24.00
Every 1,000 gallons of water in excess of 4,000 gallons	3.25
Commercial:	
First 4,000 gallons of water used	38.00
Every 1,000 gallons of water in excess of 4,000 gallons	3.00
Total sewer revenue	\$ 1,108,055
Average monthly bill per user	\$ 39.77

OTHER REPORTS REQUIRED BY GOVERNMENTAL AUDITING STANDARDS

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CGMA/CVA
Margaret A. Pritchard, CPA/CGMA
Matthew L. Berthelot, CPA

Staci H. Joffrion, CPA/CGMA

The Honorable David Toups, Mayor
and the Council Members
Town of Addis
Addis, Louisiana

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Addis as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town of Addis's basic financial statements and have issued our report thereon dated June 21, 2019.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as item [2018-002] to be a material weakness.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as item [2018-001] to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Addis'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 audit disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Addis's Responses to Findings

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

Purpose of this Report

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

Baxley & Associates, LLC

Plaquemine, Louisiana

June 21, 2019

**TOWN OF ADDIS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001 INCORRECT OVERTIME RATES

Condition

In performing a test of payroll, we noted two employees in our sample with incorrect overtime rates.

Criteria

All payroll rates and calculations for overtime should be correct based on approved rates.

Effect

One employee was underpaid on at least one paycheck. Another employee was overpaid on at least two paychecks.

Recommendation

The Town should implement procedures to ensure that all payroll rates agree to approved payroll rates and all calculated rates are correct.

Management's Response

The Town of Addis has been in the process of updating its systems. As of February, 2019, the Town of Addis has implemented Netchex, a payroll system that will help minimize the human errors of manually putting in the payroll rates. The Town of Addis has implemented changes to the payroll system that further addresses levels of approvals before payroll is confirmed.

**TOWN OF ADDIS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2018-002 BANK RECONCILIATIONS

Condition

In performing bank reconciliation procedures, we noted the following:

- At least three checks were written and mailed in January, 2019, but were dated in December, 2018.
- Multiple checks were written and dated in December, 2018 and cleared in January, 2019, but were not listed on the December, 2018 bank reconciliation.
- There were multiple bank accounts with outstanding deposits, adjusting journal entries, and outstanding checks greater than 11 months old that needed to be cleared/corrected.
- An outstanding check dated in January, 2018 for \$16,743 written to transfer funds from one bank account to another was recorded twice, and an outstanding adjusting journal entry appears to offset the check. However, this amount was accrued in revenue in December, 2017 and recorded again to revenue in December, 2018. An adjusting journal entry was made to correct the revenue for the year ended December 31, 2018.

Criteria

Bank reconciliations should be reviewed monthly. Old outstanding items should be researched and cleared as needed. Management should review accounts to ensure proper posting and cutoff.

Effect

Cash, revenues, and expenditures could be overstated or understated.

Recommendation

The Town should implement procedures to ensure that bank reconciliations are reviewed and old outstanding items are researched and corrected. Management should review the general ledger and prior year accruals to ensure that accounts are properly stated.

Management's Response

The Town of Addis implemented a new accounting software during the year ended December 31, 2018. The transition to the new software was handled by our outsourced accounting firm. Many items did not transfer properly and adjustments were required to reconcile these accounts. Going forward, the town will review and sign all bank reconciliations which are prepared by our outsourced accounting firm. All outstanding items will be reviewed for propriety and cleared as appropriate.

**TOWN OF ADDIS
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

There were no findings in the prior year.

TOWN OF ADDIS

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

FOR THE YEAR ENDED DECEMBER 31, 2018

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CGMA/CVA
Margaret A. Pritchard, CPA/CGMA
Matthew L. Berthelot, CPA

Staci H. Joffrion, CPA/CGMA

The Honorable David Toups, Mayor
and the Council Members
and the Louisiana Legislative Auditor's
Town of Addis
Addis, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Town of Addis 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 January 1, 2018 through December 31, 2018. The Town of Addis's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff

procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings:

The Town does not have written policies and procedures to cover the following items: Purchasing—how vendors are added to the vendor list, controls to ensure compliance with public bid law, and documentation required to be maintained for all bids and price quotes; Payroll/Personnel—payroll processing; Contracting—no aspects mentioned above; Credit Cards—documentation requirements, required approvers of statements, and monitoring card usage; travel and expense reimbursement—dollar thresholds by category of expense, documentation requirements, and required approvers; Ethics—no aspects mentioned above; and Debt Service—no aspects mentioned above.

Board or Finance Committee

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

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

Findings:

We were able to observe that the board met with a quorum at least monthly. The minutes referenced budget to actual comparisons. There was not a negative ending unrestricted fund balance in the general fund of the prior year audit.

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

Bank Reconciliations

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

Findings:

We were provided with a listing of the client's bank accounts for the fiscal period along with management's representation that the listing was true and complete.

Of the five accounts selected, management did approve the bank statements by initialing on the statements. There is no evidence that the bank reconciliations were approved by management nor is there evidence that the bank reconciliations had been prepared within two months of the statement closing date. There were no outstanding items greater than 12 months from the statement closing date selected.

Collections

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

Findings:

We were provided with a listing of the deposit sites for the fiscal period along with management's representation that the listing is complete.

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

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each

deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Findings:

We received the listing of collections locations associated with the deposit sites along with management's representation that the listing is complete.

The employees responsible for cash collections do not share cash drawers. The employee that is responsible for collecting cash does prepare/make the deposit but another employee reconciles the collection documentation to the deposit.

The employee responsible for reconciling cash collections to the ledger is responsible for collecting cash but another employee does not verify the reconciliation.

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

Findings:

Per management, all employees with access to cash are bonded.

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

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

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

Findings:

We observed that the receipts were subsequently prenumbered and traced the prenumbered receipts/collection documentation to the deposit slip. We traced the deposit slip total to the actual deposit per the bank statement. We traced the actual deposit per the bank statement to the general ledger.

The selected deposits were deposited to the bank within two to five business days of collections.

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

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

Findings:

We were provided with the listing of locations that process payments along with management's representation that the listing is complete.

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

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Findings:

At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. At least two employees are involved in processing and approving payments to vendors. The employee responsible for processing payments does modify vendor files but another employee periodically reviews the changes.

The signed checks are mailed by an employee that is responsible for processing payments.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Findings:

For the five transactions selected, we observed that the disbursement matched the related original invoice/billing statement. We observed that at least two employees were involved in initiating the purchase request, approving the purchase, and placing the order/making the purchase. We also observed that at least two employees were involved in processing and approving payments to vendors.

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

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

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

Findings:

We were provided with a listing of all active credit cards, bank debit cards, and fuel cards for the fiscal period along with management's representation that the listing is complete.

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

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Findings:

There was evidence that the statements and supporting documentation of the five credit cards selected were reviewed and approved in writing by someone other than the authorized card holder. There were no finance charges and late fees assessed on the selected statements.

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

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

Findings:

For the credit cards selected, we selected all transactions as it was less than 10 on each card. Each transaction was supported by an original itemized receipt that identified precisely what was purchase and there was written documentation of the business/public purpose. None of the transactions selected were for meals.

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

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

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

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings:

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

Contracts

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

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Findings:

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

Payroll and Personnel

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

Findings:

We were provided with a listing of employees/elected officials employed during the fiscal period along with management's representation that the listing is complete.

We randomly selected five employees/elected officials and observed that payments were made in strict accordance with the terms and conditions of the employment contract/pay rate structure.

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

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

Findings:

For the five selected employees/officials, we observed a pay period in which one of the employees took leave. We viewed copies of the daily attendance/leave timesheets that were complete with supervisor approval of attendance/leave. The leave taken during the pay period was reflected in the entity's cumulative leave records.

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

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

Findings:

Town of Addis did not have any terminated employees or officials in the fiscal period.

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

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

Findings:

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

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

Ethics

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

Findings:

The five randomly selected employees/officials from procedure #16 did complete the one hour of ethics training during the fiscal period.

The Town does not require that the employees/official attest through signature verification that he or she has read the entity's ethics policy annually.

Debt Service

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

Findings:

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

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

Findings:

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

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the

misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Findings:

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

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

Findings:

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

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

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

Baxley & Associates, LLC

Baxley and Associates, LLC
Plaquemine, Louisiana
June 21, 2019

TOWN OF ADDIS

Management's Response to Statewide Agreed-Upon Procedures For the Year Ended December 31, 2018

Management's Response to Items:

1. The Town of Addis has reviewed its Policies and Procedures and is in the process of revising and updating procedures with further detail.
3. The Town of Addis will take action to ensure that all bank reconciliations are approved by management and provide evidence that reconciliations are prepared within 2 months of the statement closing date.
5. The Town of Addis implemented this procedure and the instance of note was human error. The Town will take actions to prevent the human error.
7. The Town of Addis will ensure that deposits are made within one business day of receipt.
9. The Town of Addis will ensure that the person responsible for processing payment will not have the responsibility of mailing signed checks.
20. The Town of Addis will require all employees/officials to attest through signature verification that he or she has read the Town of Addis Ethics policy annually.