

TOWN OF NEW LLANO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

ROZIER, MCKAY & WILLIS
Certified Public Accountants
Alexandria, Louisiana

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1-2
REQUIRED SUPPLEMENTAL INFORMATION (PART I)	
Management's Discussion & Analysis.....	3-6
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position.....	7
Statement of Activities.....	8-9
FUND FINANCIAL STATEMENTS	
Governmental Funds	
Balance Sheet.....	10
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	12
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	13
Proprietary Funds	
Statement of Net Position.....	14-15
Statement of Revenues, Expenditures, and Changes in Fund Net Position.....	16
Statement of Cash Flows.....	17-18
Notes to Financial Statements.....	19-44
REQUIRED SUPPLEMENTAL INFORMATION (PART II)	
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances (Budget and Actual).....	45
Schedule of Net Pension Liability Data.....	46
Schedule of Employer Contributions.....	47
Supplemental Information	
Combining Balance Sheet – Non-Major Governmental Funds.....	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Governmental Funds.....	49
Schedule of Compensation Paid to Board Members.....	50
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer.....	51
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	52-53
Schedule of Findings.....	54
Management's Corrective Action Plan.....	55
Schedule of Prior Year Findings.....	56



**Rozier McKay
& Willis** | CERTIFIED PUBLIC
ACCOUNTANTS

December 14, 2020

Independent Auditors' Report

The Honorable Mayor
and Members of the Town Council
Town of New Llano, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Llano, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Llano, as of June 30, 2019, and the respective changes in financial position and cash flows thereof 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 the information listed below to supplement the basic financial statements.

- Management's Discussion and Analysis
- Budgetary Comparison Information
- Schedule of Net Pension Liability Data
- Schedule of Employer Contributions



1407 Peterman Drive
Post Office Box 12178
Alexandria, Louisiana 71315

Voice: 318.442.1608
Fax: 318.487.2027
Online: CenlaCPAs.com

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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New Llano's basic financial statements. The other supplemental information listed below is presented for purposes of additional analysis and are not a required part of the basic financial statements.

- Combining Balance Sheet – Non-Major Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Governmental Funds
- Schedule of Compensation Paid to Board Members
- Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer

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

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, on our consideration of the Town of New Llano's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of New Llano's internal control over financial reporting and compliance.



Rozier, McKay, & Willis
Certified Public Accountants

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

This section of the Town of New Llano's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2020.

Overview of Financial Statements

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after July 1, 2003) and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including police protection, fire protection, culture, recreation, public works, and general administration are reported as governmental activities. The governmental activities are financed by taxes, license fees, fines, court cost, interest, grants, and contributions.
- **Business-Type Activities** – Expenses associated with providing water and sewer services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with water and sewer services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's water and sewer services. Proprietary fund financial statements typically provide a more

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

detailed presentation of the information reported in the business-type activities portion of the government-wide financial statements.

Financial Analysis of the Town as a Whole

A comparative analysis of government-wide data is presented as follows:

Net Position

A condensed version of the government-wide Statement of Net Position is presented as follows:

	<u>June 30, 2020</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>For the Year Ended June 30, 2019</u>
<u>Assets:</u>				
Current and Other Assets	\$ 667,564	\$ 702,587	\$ 1,370,151	\$ 1,328,146
Capital Assets	4,067,112	6,890,831	10,957,943	11,258,776
Total Assets	<u>4,734,676</u>	<u>7,593,418</u>	<u>12,328,094</u>	<u>12,586,922</u>
Deferred Outflows	<u>80,735</u>	<u>48,261</u>	<u>128,996</u>	<u>152,272</u>
<u>Liabilities:</u>				
Current and Other Liabilities	21,476	136,828	158,304	186,663
Long-term Liabilities	948,567	1,627,444	2,576,011	2,849,869
Total Liabilities	<u>970,043</u>	<u>1,764,272</u>	<u>2,734,315</u>	<u>3,036,532</u>
Deferred Inflows	<u>223,872</u>	<u>22,046</u>	<u>245,918</u>	<u>276,988</u>
<u>Net Position:</u>				
Invested in Capital Assets (Net)	3,379,112	5,436,212	8,815,324	8,901,780
Restricted	277,958	385,100	663,058	647,950
Unrestricted	(35,574)	34,049	(1,525)	(124,056)
Total Net Position	<u>\$ 3,621,496</u>	<u>\$ 5,855,361</u>	<u>\$ 9,476,857</u>	<u>\$ 9,425,674</u>

As the presentation appearing above demonstrates, the largest portion of the Town's net position is invested in capital assets. Net position invested in capital assets consist of land, construction in process, buildings, equipment, and infrastructure less any debt used to acquire the assets. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the Town's net position (7.0%) represent resources that are subject to restrictions that are imposed by agreements with the Town's bondholders or requirements imposed by various revenue sources.

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

Recognizing long-term liabilities associated with providing retirement benefit obligations to the Town's employees has eliminated the Town's remaining unrestricted net position. Despite the absence of unrestricted net position, the Town has sufficient resources to meet all obligations for the foreseeable future.

Changes in Net Position

A condensed version of the government-wide Statement of Changes in Net Position is presented as follows:

	For the Year Ended June 30, 2020			For the Year Ended June 30, 2019
	Governmental Activities	Business-Type Activities	Total	
<u>Revenues:</u>				
Program Revenue:				
Charges for Services	\$ 304,275	\$ 1,016,040	\$ 1,320,315	\$ 1,342,296
Operating Grants and Contributions	61,014	11,466	72,480	63,175
Capital Grants and Contributions	----	----	----	----
General Revenue:				
Sales Taxes	465,326	----	465,326	489,113
Property Taxes	93,361	13,051	106,412	111,276
Other Taxes	52,321	----	52,321	56,428
Franchise Taxes	151,037	----	151,037	151,696
Occupational Licenses	70,844	----	70,844	77,695
Other Licenses	15,956	----	15,956	18,261
Rental and Lease	----	----	----	---
Miscellaneous	6,127	210	6,337	28,142
Total Revenue	1,220,261	1,040,767	2,261,028	2,338,082
<u>Program Expenses:</u>				
General Government	233,017	----	233,017	248,905
Public Safety				
Police Department	240,230	----	240,230	341,229
Fire Department	465,769	----	465,769	508,271
Streets, Drainage, & Recreation	160,227	----	160,227	191,283
Water	----	681,013	681,013	470,168
Sewer	----	414,530	414,530	256,100
Interest on Long-Term Debt	15,159	----	19,159	25,871
Total Expenses	1,114,402	1,095,543	2,213,945	2,239,489
Increase (Decrease) in Net Position Before Transfers	105,859	(54,776)	47,083	347,533
Transfers	103,333	(103,333)	----	----
Change in Net Position	209,192	(158,109)	47,083	347,533
Net Position Beginning	3,412,304	6,013,370	9,425,674	8,853,497
Net Position Ending	\$ 3,621,496	\$ 5,855,261	\$ 9,472,757	\$ 9,201,030

TOWN OF NEW LLANO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

Governmental activities before transfers experienced an increase of \$105,859. This increase is attributable to prudent use of the Town's resources.

Business-type activities before transfers experienced decrease of \$54,776. This decrease is due to the Town experiencing significant repairs to the water and sewer system during the current year.

Financial Analysis of the Town's Funds

An analysis of significant matters affecting the Town's funds is presented as follows:

- The Town's governmental funds reported combined fund balances of \$646,088 which represents an increase of \$66,346 in comparison to the previous balance. This increase is due to a prudent use of the Town's resources.
- Amounts reported for business-type activities in the Town's individual funds are identical to the business-type activities reported in the government-wide presentation.

General Fund Budget Highlights

The general fund is the only fund required by law to adopt a budget and the budget is amended as necessary. Some revisions to the original budget were necessary in order to address changes in revenues and expenditures.

Capital Asset Administration

Highlights of the Town's capital asset administration are provided as follows:

- Work has continued on the new fire station.

Debt Administration

Debt activity was limited to payment of principal and interest as these amounts become due.

Factors Expected to Affect Future Operations

There are no events or conditions that are expected to have a significant influence on future operations.

TOWN OF NEW LLANO

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 275,809	\$ 217,465	\$ 493,274
Receivables (net)	113,797	100,022	213,819
Restricted assets:			
Cash and cash equivalents	277,958	385,100	663,058
Capital assets			
Non depreciable capital assets			
Land	279,284	28,835	308,119
Construction in Process	175,668	-	175,668
Depreciable capital assets, net	3,612,160	6,861,996	10,474,156
Aggregate Net Pension Asset	-	-	-
Total assets	4,734,676	7,593,418	12,328,094
<u>DEFERRED OUTFLOWS</u>			
Pension funding deferrals	80,735	48,261	128,996
Total deferred outflows	80,735	48,261	128,996
<u>LIABILITIES</u>			
Accounts payable	22,729	9,069	31,798
Interfund payable	(1,253)	1,253	-
Accrued interest payable from restricted assets	-	-	-
Deposits due others	-	126,506	126,506
Long-term liabilities			
Long-term debt			
Due within one year	84,000	117,000	201,000
Due in more than one year	604,000	1,337,619	1,941,619
Aggregate Net Pension Liability	260,567	172,825	433,392
Total liabilities	970,043	1,764,272	2,734,315
<u>DEFERRED INFLOWS</u>			
Pension funding deferrals	223,872	22,046	245,918
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	3,379,112	5,436,212	8,815,324
Restricted:			
Debt Service	277,958	385,100	663,058
Unrestricted	(35,574)	34,049	(1,525)
Total net position (deficit)	\$ 3,621,496	\$ 5,855,361	\$ 9,476,857

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

TOWN OF NEW LLANO

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Expenses	Program Revenues			Net (Expenses) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Total
<u>Governmental Activities:</u>					
General Government	\$ 233,017	\$ -	\$ -	\$ -	\$ (233,017)
Public Safety					
Police Department	240,230	304,275	6,840	-	70,885
Fire Department	465,769	-	46,774	-	(418,995)
Streets, Drainage, & Recreation	160,227	-	7,400	-	(152,827)
Interest on Long-Term Debt	15,159	-	-	-	(15,159)
Total Governmental Activities	<u>1,114,402</u>	<u>304,275</u>	<u>61,014</u>	<u>-</u>	<u>(749,113)</u>
<u>Business-Type Activities:</u>					
Water System	681,013	651,697	11,466	-	(17,850)
Sewer System	414,430	364,343	-	-	(50,087)
Total Business-Type Activities	<u>1,095,443</u>	<u>1,016,040</u>	<u>11,466</u>	<u>-</u>	<u>(67,937)</u>
Total Primary Government	<u>\$ 2,209,845</u>	<u>\$ 1,320,315</u>	<u>\$ 72,480</u>	<u>\$ -</u>	<u>(817,050)</u>

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

TOWN OF NEW LLANO

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Governmental Activities	Business- Type Activities	Total
Net (Expense) Revenue (Continued From Previous Page)	\$ (749,113)	\$ (67,937)	\$ (817,050)
<u>General Revenues:</u>			
Taxes:			
Sales	465,326	-	465,326
Ad Valorem	93,361	13,051	106,412
Other	52,321	-	52,321
Licenses & Permits:			
Franchise Fees	151,037	-	151,037
Occupational Licenses	70,844	-	70,844
Other Licenses	15,956	-	15,956
Other	6,127	210	6,337
Transfers	103,333	(103,333)	-
Total General Revenues and Transfers	<u>958,305</u>	<u>(90,072)</u>	<u>868,233</u>
Change in Net Position	209,192	(158,009)	51,183
Net Position - Beginning	<u>3,412,304</u>	<u>6,013,370</u>	<u>9,425,674</u>
Net Position Ending	<u>\$ 3,621,496</u>	<u>\$ 5,855,361</u>	<u>\$ 9,476,857</u>

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

TOWN OF NEW LLANO

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2020

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash & cash equivalents	\$ 275,074	\$ 735	\$ 275,809
Receivables (net)	113,797	-	113,797
Interfund Receivables	-	1,753	1,753
Restricted Assets			
Cash and Cash Equivalents	-	277,958	277,958
Total assets	<u>\$ 388,871</u>	<u>\$ 280,446</u>	<u>\$ 669,317</u>
Liabilities and Fund Balance			
<u>Liabilities</u>			
Accounts and other payables	\$ 22,729	\$ -	\$ 22,729
Interfund Payable	-	500	500
Total liabilities	<u>22,729</u>	<u>500</u>	<u>23,229</u>
<u>Fund Balance</u>			
Restricted			
Debt Service	-	215,350	215,350
Assigned to Debt Service	-	62,608	62,608
Unassigned	366,142	1,988	368,130
Total Fund Balances	<u>366,142</u>	<u>279,946</u>	<u>646,088</u>
Total Liabilities and Fund Balance	<u>\$ 388,871</u>	<u>\$ 280,446</u>	<u>\$ 669,317</u>

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

TOWN OF NEW LLANO

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position June 30, 2020

Total Fund Balances - Governmental Funds	\$	646,088
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,067,112
Liabilities not due and payable in the current period are excluded from the Governmental Fund Balance Sheet		(54,712)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Fund Balance Sheet		<u>(1,036,992)</u>
Net Position of Governmental Activities	\$	<u>3,621,496</u>

TOWN OF NEW LLANO

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds Year Ended June 30, 2020

	General	Non-Major Fund	Total Governmental Funds
Revenues:			
Taxes			
Ad Valorem	\$ 53,466	\$ 39,895	\$ 93,361
Sales	465,326	-	465,326
License and permits			
Occupational Licenses	70,844	-	70,844
Franchise	151,037	-	151,037
Other	15,956	-	15,956
Intergovernmental	113,335	-	113,335
Fines and fees	304,275	-	304,275
Miscellaneous	5,861	266	6,127
Total revenues	<u>1,180,100</u>	<u>40,161</u>	<u>1,220,261</u>
Expenditures:			
Current			
General Government	250,362	-	250,362
Public Safety			
Police Department	315,595	-	315,595
Fire Department	453,144	-	453,144
Streets, Drainage, & Recreation	71,354	-	71,354
Capital Expenditures	60,750	-	60,750
Debt Service	-	106,043	106,043
Total expenditures	<u>1,151,205</u>	<u>106,043</u>	<u>1,257,248</u>
Excess (deficiency) of revenues over expenditures	28,895	(65,882)	(36,987)
Other sources (uses)			
Operating transfers in (out)	43,283	60,050	103,333
Excess (Deficiency) of Revenues and Other Sources Over Over Expenditures and Other Uses	72,178	(5,832)	66,346
Fund balance - beginning of year	<u>293,964</u>	<u>285,778</u>	<u>579,742</u>
Fund balance - end of year	<u>\$ 366,142</u>	<u>\$ 279,946</u>	<u>\$ 646,088</u>

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

TOWN OF NEW LLANO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended June 30, 2020

Net change in fund balances of Governmental Funds \$ 66,346

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

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

Other Depreciable Assets	60,750	
Depreciation expense reported on a government-wide basis	<u>(148,553)</u>	(87,803)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 90,884

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures by governmental funds 139,765

Change in net position of governmental activities \$ 209,192

TOWN OF NEW LLANO

Statement of Net Position

Proprietary Funds

June 30, 2020

	Business-Type Activities		
	Water System	Sewer System	Total
<u>ASSETS:</u>			
Current Assets:			
Cash and cash equivalents	\$ 178,498	\$ 38,967	\$ 217,465
Receivables (net)	60,506	39,516	100,022
Interfund Receivable	500	-	500
Total current assets	<u>239,504</u>	<u>78,483</u>	<u>317,987</u>
Restricted Assets:			
Cash and cash equivalents	220,530	164,570	385,100
Noncurrent Assets:			
Non-Depreciable capital assets			
Land	-	28,835	28,835
Depreciable capital assets, net	3,605,574	3,256,422	6,861,996
Aggregate Net Pension Asset	-	-	-
Total assets	<u>4,065,608</u>	<u>3,528,310</u>	<u>7,593,918</u>
<u>DEFERRED OUTFLOWS:</u>			
Pension funding deferrals	<u>37,829</u>	<u>10,432</u>	<u>48,261</u>
Total deferred outflows	<u>37,829</u>	<u>10,432</u>	<u>48,261</u>

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

TOWN OF NEW LLANO

Statement of Net Position

Proprietary Funds

June 30, 2020

	<u>Business-Type Activities</u>		
	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts & other payables	8,019	1,050	9,069
Deposits due others	126,506	-	126,506
Interfund Payable	1,753	-	1,753
Total current liabilities	<u>136,278</u>	<u>1,050</u>	<u>137,328</u>
Liabilities Payable From Restricted Assets:			
Accrued interest payable from restricted assets	-	-	-
Current portion of long-term debt	41,000	76,000	117,000
Noncurrent Liabilities:			
Long-term debt	753,619	584,000	1,337,619
Aggregate Net Pension Liability	145,129	27,696	172,825
Total liabilities	<u>1,076,026</u>	<u>688,746</u>	<u>1,764,772</u>
<u>DEFERRED INFLOWS:</u>			
Pension funding deferrals	<u>16,431</u>	<u>5,615</u>	<u>22,046</u>
<u>NET POSITION:</u>			
Invested in capital assets, net of related debt	2,810,955	2,625,257	5,436,212
Restricted:			
Debt Service	220,530	164,570	385,100
Unrestricted	<u>(20,505)</u>	<u>54,554</u>	<u>34,049</u>
Total net position (deficit)	<u>\$ 3,010,980</u>	<u>\$ 2,844,381</u>	<u>\$ 5,855,361</u>

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

TOWN OF NEW LLANO

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2020

	Business-Type Activities		
	Water System	Sewer System	Total
<u>Operating Revenues:</u>			
Charges for services	\$ 564,123	\$ 364,343	\$ 928,466
Other	87,574	-	87,574
Total operating revenues	651,697	364,343	1,016,040
<u>Operating Expenses:</u>			
Salaries and wages	157,692	34,967	192,659
Materials, supplies, and maintenance	42,003	108,601	150,604
Office operations	150,566	30,897	181,463
Payroll taxes and expenses	51,128	38,210	89,338
Vehicle and travel	24,914	9,789	34,703
Professional Fees	10,698	9,541	20,239
Insurance	48,655	8,406	57,061
Miscellaneous	13,810	3,265	17,075
Utilities and telephone	30,353	40,218	70,571
Depreciation	108,191	117,856	226,047
Total operating expenses	638,010	401,750	1,039,760
Operating Income (Loss)	13,687	(37,407)	(23,720)
<u>Nonoperating Revenues (Expenses):</u>			
Advalorem Taxes	-	13,051	13,051
Operating Grants	11,466	-	11,466
Interest income	210	-	210
Interest expense	(43,003)	(12,680)	(55,683)
Change in Net Position Before Capital Grants & Transfers	(17,640)	(37,036)	(54,676)
<u>Capital Grants & Transfers</u>			
Transfers in (out)	(47,907)	(55,426)	(103,333)
Change in Net Position	(65,547)	(92,462)	(158,009)
Total Net Position - Beginning	3,076,527	2,936,843	6,013,370
Total Net Position - Ending	\$ 3,010,980	\$ 2,844,381	\$ 5,855,361

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

TOWN OF NEW LLANO

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<u>Cash flow from operating activities:</u>			
Cash received from customers	\$ 657,652	\$ 364,343	\$ 1,021,995
Cash payments to suppliers of goods and services	(357,087)	(219,085)	(576,172)
Cash payments to employees for services	(157,692)	(34,967)	(192,659)
Net cash provided (used) by operating activities	<u>142,873</u>	<u>110,291</u>	<u>253,164</u>
<u>Cash flows from non-capital financing activities:</u>			
Advalorem taxes	-	13,051	13,051
Operating transfers in (out)	(47,907)	(55,426)	(103,333)
Net cash provided (used) by non-capital financing activities	<u>(47,907)</u>	<u>(42,375)</u>	<u>(90,282)</u>
<u>Cash flows from capital and related financing activities:</u>			
Capital Expenditures	(13,018)	-	(13,018)
Capital Grant Proceeds	11,466	-	11,466
Principal paid on capital debt	(40,000)	(75,000)	(115,000)
Interest paid on capital debt	(43,003)	(21,173)	(64,176)
Net cash provided (used) by capital and related financing activities	<u>(84,555)</u>	<u>(96,173)</u>	<u>(180,728)</u>
<u>Cash flows from investing activities:</u>			
Interest and other income	210	-	210
Net cash provided (used) by investing activities	<u>210</u>	<u>-</u>	<u>210</u>
Net increase (decrease) in cash	10,621	(28,257)	(17,636)
Beginning cash balance	388,407	231,794	620,201
Ending cash balance	399,028	203,537	602,565
Restricted cash	220,530	164,570	385,100
Cash and cash equivalents	<u>\$ 178,498</u>	<u>\$ 38,967</u>	<u>\$ 217,465</u>

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

Continued...

TOWN OF NEW LLANO

Statement of Cash Flows (Continued)

Proprietary Funds

Year Ended June 30, 2020

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<u>Reconciliation of operating income (loss)</u>			
<u>to net cash provided (used) by operating</u>			
<u>activities</u>			
Operating income (loss)	\$ 13,687	\$ (37,407)	\$ (23,720)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	108,191	117,856	226,047
(Increase) decrease in accounts receivable	(20)	-	(20)
(Decrease) increase in operating accounts payable	(9,946)	(642)	(10,588)
(Decrease) increase in customer deposits	5,975	-	5,975
(Decrease) increase in accrued salaries	-	-	-
(Decrease) increase in net pension liabilities	24,986	30,484	55,470
Net cash provided (used) by operating activities	\$ 142,873	\$ 110,291	\$ 253,164

Supplemental Disclosure of Cash Flow Information:

During the year ended June 30, 2020, there were no capital, operating, financing, or investing activities during the year that did not result in cash receipts or payments.

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The Town of New Llano (the Town) was incorporated under the provisions of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Town provides various services including public safety (police and fire protection), streets and drainage, public improvements, utilities (water and sewerage), and general administrative services.

The accounting and reporting practices of the Town of New Llano, Louisiana conform to generally accepted accounting principles as applicable to governmental units on a consistent basis between periods.

The following is a summary of the more significant accounting policies.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of New Llano, Louisiana, is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government, (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.

Governmental Accounting Standards Board (GASB) established criteria for determining which component units should be considered part of the Town of New Llano, Louisiana, for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2020

Based upon the above criteria, the Town of New Llano has no component units for the year ended June 30, 2020.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Town as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function, and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and proprietary funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

Governmental Funds

General Fund – The general fund is the primary operating fund and is used to account for all governmental activities.

Business-Type Funds

Water and Sewer Funds – Are used to account for business type activities. The operations of the Town's Water System and Sewer System each utilize separate proprietary funds. Revenue earned in exchange for providing services is

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2020

reported as operating income and revenue from other sources is reported as non-operating.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described below:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	No Measurement Focus

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measurement focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims, and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other-financing source and repayment of long-term debt is reported as an expenditure.

Non-Exchange Transactions

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-exchange transactions such as traffic citations. Consequently, revenue from fines and court cost is not recognized until it is collected.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2020

situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources.

Budget Practices

The Mayor prepares an annual budget for the Town's general fund. This budget is submitted to the Town Council Members and an approved budget is adopted before the beginning of each fiscal year. Amended budgets are prepared prior to the conclusion of each fiscal year. The amended budgets are prepared and approved in the same manner as the original budget.

The general fund budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles. No annual budget is required for the Town's Utility Fund.

Capital Assets

Infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets. Depreciation associated with capital assets is computed using the straight-line method over the estimated useful lives of the assets.

Capital assets, which include property, equipment, and infrastructure, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the Town.

Cash and Cash Equivalents and Investments

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit, and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

Internal Balances

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2020

Statement of Cash Flows

For the purpose of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in banks, and certificates of deposit.

Compensated Absences

The Town does not accumulate any paid vacation, sick pay, or other employee benefit amounts because employees are not allowed to carry over significant amounts.

Fund Balance Classification

Approval of the majority of the Board of Aldermen is required to approve the commitment of fund balances. In situations where it is permissible to spend restricted or committed resources, the Town typically depletes the available restricted or committed resources before consuming unrestricted resources.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2020, cash and cash equivalents included the following amounts:

	Governmental Activities	Business-Type Activities	Total
Cash Deposited in Banks	\$ 553,667	\$ 602,565	\$ 1,156,232
Petty Cash	100	----	100
Total Cash	553,767	602,565	1,156,332
Restricted Cash	277,958	385,100	663,058
Cash and Cash Equivalents	<u>\$ 275,809</u>	<u>\$ 217,465</u>	<u>\$ 493,274</u>

Cash deposited in banks is stated at cost, which approximates market. Under state law, these deposits must be secured by Federal Deposit Insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The securities pledged are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2020, the Town has \$1,156,232 in deposits (\$1,248,700 collected bank balance). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$1,586,847 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized, Louisiana law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the pledging bank has failed to pay deposited funds upon demand.

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2020***

NOTE 3 – TAXES

Ad Valorem Taxes

The Town bills and collects its own property taxes using assessed values determined by the Tax Assessor of Vernon Parish. For the year ended June 30, 2020, the Town has levied ad valorem taxes as follows:

<u>Description</u>	<u>Mills Levied</u>
Levied for general alimony as permitted by State Law. Revenue from taxes levied for general alimony is reported by the general fund.	4.00
Levied per proposition originally approved March 31, 2007 authorizing general obligation debt to run for 20 years payable from a levy of ad valorem taxes. Since these taxes are dedicated to debt service, revenue is reported in a debt service fund.	3.00
Levied per proposition originally approved March 31, 2007 authorizing general obligation debt to run for 20 years payable from a levy of ad valorem taxes. These taxes are dedicated to debt service. Since these bonds are for the Towns sewerage system, revenue will be reported in the sewerage system.	1.05
	<u>8.05</u>

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November.

Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

Sales Taxes

Sales taxes are collected by the Parish of Vernon and remitted to the Town. For the year ended June 30, the Town has two propositions approved by the citizens. The total percentages levied are 1.5%. These sales tax propositions do not expire.

NOTE 4 - RECEIVABLES

The receivables at June 30, 2020, are as follows:

<u>Governmental Activities</u>	
<u>Accounts Receivable</u>	<u>General Fund</u>
Franchise Fees	\$ 25,771
Sales Taxes	50,011
Overpayment to Vendor	31,250
Other	6,765
Total Receivables	<u>113,797</u>
Allowance for Doubtful Accounts	----
Receivables, net of allowance	<u>\$ 113,797</u>

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2020

Business-Type Activities			
<u>Accounts Receivable</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Utility Customers	\$ 63,452	\$ 41,499	\$ 104,951
Allowance for Doubtful Accounts	(2,966)	(1,983)	(4,949)
Total Utility Customer Receivables	<u>\$ 60,486</u>	<u>\$ 39,516</u>	<u>\$ 100,002</u>

NOTE 5 – CAPITAL ASSETS

A summary of the property and equipment at June 30, 2020, consists of the following:

Non Depreciable Capital Assets				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Land	\$ 279,284	\$ ----	\$ ----	\$ 279,284
Construction in progress	114,918	60,750	----	175,668
Total Governmental Activities	<u>\$ 394,202</u>	<u>\$ 60,750</u>	<u>\$ ----</u>	<u>\$ 454,952</u>
<u>Business-Type Activities</u>				
Land – Sewer System	28,835	----	----	28,835
Total Business-Type Activities	<u>\$ 28,835</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 28,835</u>
Capital Assets Being Depreciated				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Buildings	\$ 1,479,210	\$ ----	\$ ----	\$ 1,479,210
Infrastructure	1,703,006	----	----	1,703,006
Improvements	2,055,347	----	----	2,055,347
Vehicles & Equipment	966,614	----	----	966,614
Total	6,204,177	----	----	6,204,177
Less Accumulated Depreciation	(2,443,464)	(148,553)	----	(2,592,017)
Total Governmental Activities	<u>\$ 3,760,713</u>	<u>\$ (148,553)</u>	<u>\$ ----</u>	<u>\$ 3,612,160</u>

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2020

Business-Type Activities

Water System				
Water Distribution System	\$ 4,160,128	\$ ----	\$ ----	\$ 4,160,128
Vehicles & Equipment	145,731	13,017	----	158,748
Accumulated Depreciation	(605,111)	(108,191)	----	(713,302)
Total Water System	<u>3,700,748</u>	<u>(95,174)</u>	<u>----</u>	<u>3,605,574</u>
Sewer System				
Sewer Distribution System	4,733,664	----	----	4,733,664
Vehicles & Equipment	160,837	----	----	160,837
Accumulated Depreciation	(1,520,173)	(117,906)	----	(1,638,079)
Total Net of Depreciation	<u>3,374,328</u>	<u>(117,906)</u>	<u>----</u>	<u>3,256,422</u>
Total Business-Type	<u>\$ 7,075,076</u>	<u>\$ (213,080)</u>	<u>\$ ----</u>	<u>\$ 6,861,996</u>

Depreciation expense reported by various functions is presented as follows:

Governmental Activities:

General Government	\$ 39,273
Police Department	9,835
Fire Department	10,572
Streets, Drainage, & Recreation	88,873
Total Depreciation – Governmental Activities	<u>\$ 148,553</u>

Business-Type Activities:

Water	\$ 108,191
Sewer	117,906
Total Depreciation – Business-Type Activities	<u>\$ 226,097</u>

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following is a summary of payables at June 30, 2020:

	<u>Governmental Activities</u>
	<u>General</u>
	<u>Fund</u>
Payable to Vendors	\$ 1,971
Salaries Payable	20,758
Total	<u>\$ 22,729</u>

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2020

	Business-Type Activities		
	Water System	Wastewater System	Total
Payable to Vendors	\$ 3,206	\$ ----	\$ 3,206
Other	4,813	1,050	5,863
Total Business-Type	<u>\$ 8,019</u>	<u>\$ 1,050</u>	<u>\$ 9,069</u>

NOTE 7 – LONG TERM DEBT

Debt attributable to the Town's business-type activities is summarized as follows:

	Governmental Activities	Business-Type Activities	Total
Revenue Bonds	\$ ----	\$ 1,311,619	\$ 1,311,619
Capital Lease	----	----	----
Certificate of Indebtedness	316,000	----	316,000
General Obligation Bonds	372,000	143,000	515,000
Total Long-term Debt	688,000	1,454,619	2,337,619
Due Within One Year	(84,000)	(117,000)	(201,000)
Due in More Than One Year	<u>\$ 604,000</u>	<u>\$ 1,337,619</u>	<u>\$ 2,136,619</u>

Changes in the Town's long-term debt activity for the year ended June 30, 2020, is summarized as follows:

	Beginning Balance	Additions	Payments	Ending Balance
<u>Governmental Activities:</u>				
Certificate of Indebtedness	\$ 353,000	\$ ----	\$ 37,000	\$ 316,000
General Obligation Bonds	415,000	----	43,000	372,000
Total Governmental Activities	<u>\$ 768,000</u>	<u>\$ ----</u>	<u>\$ 80,000</u>	<u>\$ 688,000</u>

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>				
<u>Water System</u>				
Revenue Bonds	\$ 834,619	\$ ----	\$ 40,000	\$ 794,619
Total Water System	<u>834,619</u>	<u>----</u>	<u>40,000</u>	<u>794,619</u>
<u>Sewer System</u>				
Sewer Revenue Bonds	576,000	----	59,000	517,000
General Obligation Bonds	159,000	----	16,000	143,000
Total Sewer System	<u>735,000</u>	<u>----</u>	<u>75,000</u>	<u>660,000</u>
Total Business-Type Activities	<u>\$ 1,569,619</u>	<u>\$ ----</u>	<u>\$ 115,000</u>	<u>\$ 1,494,619</u>

Revenue Bonds

The Town has issued revenue bonds for the purpose of acquiring and constructing extensions and improvements to the waterworks and wastewater systems.

Water Revenue Bonds, dated July 16, 2012, due in annual installments ranging from \$46,000 to \$54,000, maturing June 1, 2018, bearing interest at a maximum rate of 2.750%. Revenue generated by the Town's water system has been pledged to secure these bonds. \$ 794,619

Sewer Revenue Bonds, dated June 23, 2015, due in annual installments ranging from \$58,000 to \$72,000, maturing in 2028, bearing interest at a maximum of 4.25%. Revenue generated by the Town's sewer system has been pledged to secure these bonds. 517,000

Total Revenue Bonds \$ 1,311,619

Certificates of Indebtedness

The Town has issued certificates which are secured by and payable from a pledge of the excess of annual revenues above statutory, necessary and usual charges incurred by the Town. Certificates of indebtedness outstanding at June 30, 2020 are described as follows:

\$680,000 Certificates of Indebtedness, Series 2006 bearing interest at a rate of 5%. Principal is payable in annual installments ranging from \$20,000 to \$52,000, with the final installment due October 1, 2026. The certificates are callable for redemption at anytime after October 1, 2012. \$ 316,000

General Obligation Bonds

The Town has issued general obligation bonds payable from property taxes levied in the manner provided by State Law. General obligation bonds outstanding at June 30, 2020 are described as follows:

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2020

\$775,000 General Obligation Refunding Bonds, Series 2007A dated August 1, 2007 with interest rates ranging from 1% to 6%. The bonds mature serially on March 1st of each year in amounts ranging from \$18,000 to \$62,000. Final maturity is scheduled for March 1, 2027, unless the Town elects to redeem the bonds prior to maturity. Bonds become subject to early redemption on March 1, 2017. The bonds are secured by the full faith and credit of the Town and a special tax levied on property subject to taxation within the boundaries of the Town. \$ 372,000

\$300,000 General Obligation Refunding Bonds, Series 2007B dated August 1, 2007 with interest rates ranging from 1% to 6%. The bonds mature serially on March 1st of each year in amounts ranging from \$7,000 to \$24,000. Final maturity is scheduled for March 1, 2027, unless the Town elects to redeem the bonds prior to maturity. Bonds become subject to early redemption on March 1, 2017. The bonds are secured by the full faith and credit of the Town and a special tax levied on property subject to taxation within the boundaries of the Town. 143,000

Total General Obligation Bonds \$ 515,000

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for the years subsequent to June 30, 2020, are as follows:

Governmental Activities:

	Principal Installments			
	Certificates of Indebtedness	General Obligations	Total	Interest
2021	\$ 39,000	\$ 45,000	\$ 84,000	\$ 23,412
2022	41,000	47,000	88,000	20,884
2023	43,000	50,000	93,000	18,051
2024	45,000	53,000	98,000	14,883
2025	47,000	56,000	103,000	11,386
2026-2028	101,000	121,000	222,000	10,988
Total Governmental	<u>\$ 316,000</u>	<u>\$ 372,000</u>	<u>\$ 768,000</u>	<u>\$ 99,604</u>

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2020

Business-type Activities

	Principal Installments			Total	Interest
	Water Revenue Bonds	Sewer Revenue Bonds	Sewer General Obligations		
2021	\$ 41,000	\$ 59,000	\$ 17,000	\$ 117,000	\$ 49,620
2022	43,000	60,000	18,000	121,000	46,333
2023	44,000	62,000	19,000	125,000	42,535
2024	46,000	63,000	20,000	129,000	38,444
2025	47,000	65,000	22,000	134,000	34,016
2026-2030	261,000	208,000	47,000	516,000	97,635
2031-2035	312,619	----	----	312,619	32,632
Total Business-Type	<u>\$ 794,619</u>	<u>\$ 517,000</u>	<u>\$ 143,000</u>	<u>\$ 1,454,619</u>	<u>\$ 341,215</u>

Total interest charged to expense for the year ended June 30, 2020 is \$55,683 for business type activities and \$15,159 for governmental activities.

NOTE 8 - RISK MANAGEMENT

The Town of New Llano is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and participation in a public entity risk pool that operates as a common insurance program. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 9 PENSION PLAN

All Town employees are eligible to be members of a statewide retirement system. These systems are cost-sharing, multiple-employer defined benefit pension plan administered by separate boards of trustees. A summary of amounts reported in connection with participation in these plans is summarized as follows:

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2020

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Municipal Employees' Retirement System	\$ 241,688	\$ 66,735	\$ 31,905
Firefighters' Retirement System of Louisiana	88,845	35,453	21,905
Municipal Police Employees' Retirement System of Louisiana	<u>102,858</u>	<u>24,660</u>	<u>192,108</u>
Total	433,391	126,848	245,918
Portion Applicable to Governmental Activities	<u>260,567</u>	<u>80,735</u>	<u>223,872</u>
Portion Applicable to Business-Type Activities	<u>\$ 172,824</u>	<u>\$ 46,113</u>	<u>\$ 22,046</u>

Further information regarding each of the retirement systems presented above is furnished as follows:

Municipal Employees' Retirement System of Louisiana:

Plan Description - The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

Funding Policy - Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of New Llano is required to contribute at an actuarially determined rate. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of New Llano are established and may be amended by state statute. As provided by State Law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the plan were equal to the required contributions for the year.

Financial Summary - The plan description, funding policies and financial information provides a summary of the Plan provisions and finances. For additional details, the System issues an annual publicly

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2020

available stand alone financial report. The financial report includes information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The report can be obtained on the internet at mersla.com. The plans net pension liability was determined at June 30, 2019 (measurement date and actuarial valuation date) and details are provided as follows:

Total Pension Liability	\$ 258,352,439
Plan Fiduciary Net Position	170,871,104
Net Pension Liability	<u>87,481,335</u>
Town's Proportionate Share (Percentage)	0.276272 %
Town's Proportionate Share (Amount)	<u>\$ 241,688</u>

The net pension liability presented above was not affected by any special funding situations. Changes in the Town's proportionate share of Plan's net pension liability during the measurement period ending June 30, 2019 are provided as follows:

Beginning Net Pension Liability	\$ 251,839
Employer Contributions	(29,560)
<u>Pension Expense</u>	
Proportionate Share of Plan Pension Expense	52,209
Changes in Benefit Terms	(17,230)
Employee Contributions	<u>(7,284)</u>
Changes in Deferred Outflows of Resources	(10,841)
Changes in Deferred Inflows of Resources	<u>2,555</u>
Ending Net Pension Liability	<u>\$ 241,688</u>

There were no changes between June 30, 2019 and the Plan's measurement date that are expected to have a significant effect on the Town's proportionate share of the collective net pension liability. Balances presented as deferred outflows of resources and deferred inflows of resources reported in connection with participation in the plan are presented as follows:

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences Between Expected and Actual Experience	\$ ----	\$ 10,720	\$ (10,720)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	25,456	----	25,456
Changes of Assumptions	14,733	----	14,733
Changes in Proportion	----	21,185	(21,185)
Employer Contributions Made After the Measurement Date	26,546	----	26,546
Total Deferrals	66,735	31,905	34,830
Deferrals That Will be Recorded as a Reduction in Net Pension Liability in the Subsequent Reporting Period	(26,546)	----	(26,546)
Deferrals Subject to Amortization	<u>\$ 40,189</u>	<u>\$ 31,905</u>	<u>\$ 8,284</u>

Deferrals that will be amortized as a component of pension expense in future periods are summarized as follows:

<u>For the Year Ending:</u>	
June 30, 2020	\$ (325)
June 30, 2021	3,008
June 30, 2022	3,390
June 30, 2023	2,211
Total	<u>\$ 8,284</u>

A summary of the actuarial methods and assumptions used in determining the total pension liability as of the measurement date are as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.0% net of pension plan investment expense, including inflation
Inflation rate	2.5%
Projected Salary Increases	1 to 4 years of service 7.4% More than 4 years of service 4.9%

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2020

Annuitant and beneficiary mortality	PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales
Employee Mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales
Disabled lives mortality	PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales
Expected Remaining Service Lives	3 years

The mortality rate assumption used was verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2013 through June 30, 2018. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public Equity	50.0%	2.15%
Public Fixed Income	35.0%	1.51%
Alternatives	15.0%	0.64%
Totals	<u>100.00%</u>	<u>4.30%</u>
Inflation		<u>2.70%</u>
Expected Arithmetic Nominal Return		<u>7.00%</u>

The discount rate used to measure the total pension liability was 7.00% for the year ended June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuary Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2020

return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to changes in the discount has been determined by measuring net pension liability at a discount rate that is one percentage point lower and one percentage point higher than the current rate. The results are presented as follows:

	1% Decrease 6.00% Discount Rate	Current Discount Rate 7.00%	1% Increase 8.00% Discount Rate
Net Pension Liability	\$ 322,106	\$ 241,688	\$ 173,673

Municipal Police Employees' Retirement System of Louisiana

Plan Description – All full-time police department employees engaged in law enforcement are eligible to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70800-2250, or by calling (225) 929-7411.

Funding Policy - Plan members are required by state statute to contribute 10 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the Town is established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the plan were equal to the required contributions for the year.

Financial Summary – The plan description, funding policies and financial information provides a summary of the Plan provisions and finances. For additional details, the System issues an annual publicly available stand alone financial report. The financial report includes information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The report can be obtained on the internet at lampers.org. The plans net pension liability was determined at June 30, 2019 (measurement date and actuarial valuation date) and details are provided as follows:

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2020

Total Pension Liability	\$ 3,132,449,454
Plan Fiduciary Net Position	<u>2,224,281,981</u>
Net Pension Liability	908,167,473
Town's Proportionate Share (Percentage)	<u>0.011326%</u>
Town's Proportionate Share (Amount)	<u>\$ 102,858</u>

The net pension liability presented above was not affected by any special funding situations. Changes in the Town's proportionate share of Plan's net pension liability during the measurement period ending June 30, 2019 are provided as follows:

Beginning Net Pension Liability		\$ 184,451
Employer Contributions		(11,419)
<u>Pension Expense</u>		
Proportionate Share of Plan Pension Expense	17,747	
Changes in Proportion	(89,196)	
Employee Contributions	<u>(2,332)</u>	(73,781)
Changes in Deferred Outflows of Resources		(19,629)
Changes in Deferred Inflows of Resources		<u>23,236</u>
Ending Net Pension Liability		<u>\$ 102,858</u>

There were no changes between June 30, 2019 and the Plan's measurement date that are expected to have a significant effect on the Town's proportionate share of the collective net pension liability. Balances presented as deferred outflows of resources and deferred inflows of resources reported in connection with participation in the plan are presented as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
Differences Between Expected and Actual Experience	\$ 216	\$ 3,165	\$ (2,949)
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments	6,683	----	6,683
Changes of Assumptions	5,764	----	5,764
Changes in Proportion	----	188,943	(188,943)
Employer Contributions Made After the Measurement Date	<u>11,997</u>	<u>----</u>	<u>11,997</u>
Total Deferrals	24,660	192,108	(167,448)
Deferrals That Will be Recorded as a Reduction in Net Pension Liability in the Subsequent Reporting Period	<u>(11,997)</u>	<u>----</u>	<u>(11,997)</u>
Deferrals Subject to Amortization	<u>\$ 12,663</u>	<u>\$ 192,108</u>	<u>\$ (179,445)</u>

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2020***

Deferrals that will be amortized as a component of pension expense in future periods are summarized as follows:

<u>For the Year Ending:</u>	
June 30, 2020	\$ (94,174)
June 30, 2021	(68,752)
June 30, 2022	(18,187)
June 30, 2023	<u>1,668</u>
Total	<u>\$ (179,445)</u>

A summary of the actuarial methods and assumptions used in determining the total pension liability as of the measurement date are as follows:

Valuation Date	June 30, 2019	
Actuarial Cost Method	Entry Age Normal Cost	
Investment Rate of Return	7.125% net of investment expense	
Expected Remaining Service Lives	2019 - 4 Years	
Inflation Rate	2.50 % per annum	
Projected Salary Increases Including Inflation and Merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1 – 2	9.75%
	3 – 23	4.75%
	23 & Over	4.25%
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA for healthy annuitants and beneficiaries.	
	RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females and disabled annuitants.	
	RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	
Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-	

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2020

living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	48.50%	3.28%
Fixed Income	33.50%	0.80%
Alternatives	18.00%	1.06%
Other	0.00%	0.00%
Totals	<u>100.00%</u>	<u>5.14%</u>
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>7.89%</u>

The discount rate used to measure the total pension liability was 7.125%. 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.

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

Sensitivity to changes in the discount has been determined by measuring net pension liability at a discount rate that is one percentage point lower and one percentage point higher than the current rate. The results are presented as follows:

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2020

	1% Decrease 6.125% Discount Rate	Current Discount Rate 7.125%	1% Increase 8.125% Discount
Net Pension Liability	\$ 143,317	\$ 102,858	\$ 68,919

Firefighters' Retirement System of Louisiana

Plan Description – Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3^{1/3} percent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The system also provides death and disability benefits. Benefits are established or amended by state statute.

The System issued an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

Funding Policy – Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the plan were equal to the required contributions for the year.

Financial Summary – The plan description, funding policies and financial information provides a summary of the Plan provisions and finances. For additional details, the System issues an annual publicly available stand alone financial report. The financial report includes information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The report can be obtained on the internet at lafirefightersret.com. The plans net pension liability was determined at June 30, 2019 (measurement date and actuarial valuation date) and details are provided as follows:

TOWN OF NEW LLANO

Notes To Financial Statements **June 30, 2020**

Total Pension Liability	\$ 2,405,122,324
Plan Fiduciary Net Position	1,778,931,314
Net Pension Liability	<u>626,191,010</u>
Town's Proportionate Share (Percentage)	0.014188%
Town's Proportionate Share (Amount)	<u>\$ 88,845</u>

The net pension liability presented above was not affected by any special funding situations. Changes in the Town's proportionate share of Plan's net pension liability during the measurement period ending June 30, 2019 are provided as follows:

Beginning Net Pension Liability	\$ 73,604
Employer Contributions	(9,110)
<u>Pension Expense</u>	
Proportionate Share of Plan Pension Expense	17,280
Changes in Proportion	(2,314)
Employee Contributions	<u>(3,803)</u>
Changes in Deferred Outflows of Resources	7,915
Changes in Deferred Inflows of Resources	<u>5,273</u>
Ending Net Pension Liability	<u>\$ 88,845</u>

There were no changes between June 30, 2019 and the Plan's measurement date that are expected to have a significant effect on the Town's proportionate share of the collective net pension liability. Balances presented as deferred outflows of resources and deferred inflows of resources reported in connection with participation in the plan are presented as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences Between Expected and Actual Experience	\$ ----	\$ 6,409	\$ (6,409)
Net Difference Between Projected and Actual Investment			
Earnings on Pension Plan Investments	5,975	---	5,975
Changes of Assumptions	8,083	6	8,077
Changes in Proportion	12,308	15,490	(3,182)
Employer Contributions Made After the Measurement Date	<u>9,087</u>	-----	<u>9,087</u>
Total Deferrals	35,453	21,905	13,548
Deferrals That Will be Recorded as a Reduction in Net Pension Liability in the Subsequent Reporting Period	<u>(9,087)</u>	----	<u>(9,087)</u>
Deferrals Subject to Amortization	<u>\$ 26,366</u>	<u>\$ 21,905</u>	<u>\$ 4,461</u>

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2020

Deferrals that will be amortized as a component of pension expense in future periods are summarized as follows:

<u>For the Year Ending:</u>	
June 30, 2020	\$ 955
June 30, 2021	(91)
June 30, 2022	92
June 30, 2023	1,992
June 30, 2024	133
June 30, 2025	<u>1,380</u>
Total	<u>\$ 4,461</u>

A summary of the actuarial methods and assumptions used in determining the total pension liability as of the measurement date are as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost
Expected Remaining Service Lives	7 Years
Investment Rate of Return	7.15% per annum
Inflation Rate	2.5% per annum
Projected Salary Increases	Vary from 14.75% in the first two years of service to 4.50% after 25 years.
Cost of Living Adjustments	Only those previously granted

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation and by adding expected inflation, 2.75%. The resulting long term expected nominal rate of return was 7.94% as of June 30, 2019.

Best estimates of real rates of return for each major asset class included in the FRS target asset allocation as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
U. S. Equity	21.50%	5.98%
Non- U.S. Equity	17.50%	7.52%
Global Equity	10.00%	6.59%

TOWN OF NEW LLANO

Notes To Financial Statements June 30, 2020

Fixed Income	31.00%	2.17%
Real Estate	6.00%	4.14%
Private Equity	4.00%	10.52%
Global Tactical Asset Alloc.	5.00%	4.37%
Risk Parity	5.00%	4.67%
	100.00%	

The discount rate used to measure the total pension liability was 7.15%. 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.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables, projected to 2031 using Scale AA, were selected for employee, annuitant, and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table set back five years for males and set back three years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement.

Sensitivity to changes in the discount has been determined by measuring net pension liability at a discount rate that is one percentage point lower and one percentage point higher than the current rate. The results are presented as follows:

	1% Decrease 6.15% Discount Rate	Current Discount Rate 7.15%	1% Increase 8.15% Discount Rate
Net Pension Liability	\$ 128,652	\$ 88,845	\$ 55,432

NOTE 10 – RESTRICTIONS AND COMMITMENTS

Bond covenants require the Town to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants. Amounts on deposit in these accounts are reported as restricted cash. In addition, the corresponding amounts of net position are also presented as restricted net position.

TOWN OF NEW LLANO

Notes To Financial Statements ***June 30, 2020***

NOTE 11 – INTERFUND BALANCES

In some cases, resources available in particular funds have been used to supplement the operations of other funds. Internal receivables and payables have arisen as a result of these transactions. These internal balances are summarized as follows:

	Interfund Receivable	Interfund Payable	Total
<u>Governmental Funds</u>			
Non-Major Funds	\$ 1,753	\$ 500	\$ 1,253
Total Governmental Funds	<u>1,753</u>	<u>500</u>	<u>1,253</u>
<u>Business Type Funds</u>			
Water System	500	1,753	(1,253)
Total Business Type	<u>500</u>	<u>1,753</u>	<u>(1,253)</u>
Total	<u>\$ 1,253</u>	<u>\$ (1,253)</u>	<u>\$ ----</u>

NOTE 12 – TRANSFERS

In the ordinary course of business, the Town routinely transfers resources between its funds to cover payroll, related liabilities, and other expenses. A description of the transfers is presented below:

	Operating Transfers In	Operating Transfers Out	Net
<u>Governmental Funds</u>			
General Fund	\$ 43,283	\$ ----	\$ 43,283
Non-Major	60,050	----	60,050
Total Governmental Funds	<u>103,333</u>	<u>----</u>	<u>103,333</u>
<u>Business Type Funds</u>			
Water System	----	47,907	(47,907)
Sewer System	----	55,426	(55,426)
Total Business Type Funds	<u>----</u>	<u>103,333</u>	<u>(103,333)</u>
Total	<u>\$ 103,333</u>	<u>\$ 103,333</u>	<u>\$ ----</u>

NOTE 13 – CONTINGENCIES

Existing conditions that may have financial consequences in the future are referred to as contingencies. Contingencies existing at June 30, 2019, are described as follows:

Litigation

Like most governmental units with extensive and diverse operations, the Town is occasionally named as a defendant in litigation. Based on consultation with Town Attorney, there are no anticipated claims that are expected to exceed available insurance coverage.

TOWN OF NEW LLANO

Notes To Financial Statements

June 30, 2020

Grant Compliance

The Town receives state and federal assistance through various grant programs. Management is confident that all significant grant conditions have been met; however, grantor agencies routinely review grant activity and could request reimbursement if a dispute occurs regarding compliance with grant conditions.

NOTE 14 – ON BEHALF PAYMENTS

The State of Louisiana provides supplemental pay for public safety employees that meet certain requirements. Amounts reported as revenue and expenditures in connection with State Supplemental Pay are presented as follows:

Police Department	\$ 6,840
Fire Department	39,274
Total	<u>\$ 46,114</u>

TOWN OF NEW LLANO

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:	\$ 1,377,498	\$ 1,197,498	\$ 1,180,100	\$ (17,398)
General Government:	253,083	263,083	250,362	12,721
Public Safety:				
Police	518,000	394,680	315,595	79,085
Fire	534,346	534,346	453,144	81,202
Total public safety	1,052,346	929,026	768,739	160,287
Streets, Drainage, & Recreation	75,270	75,270	71,354	3,916
Capital Expenditures	-	-	60,750	(60,750)
Total expenditures	1,380,699	1,267,379	1,151,205	116,174
Excess (deficiency) of revenues over expenditures	(3,201)	(69,881)	28,895	98,776
Other sources (uses)				
Operating transfers in (out)	127,370	127,370	43,283	(84,087)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	124,169	57,489	72,178	14,689

TOWN OF NEW LLANO

Schedule of Net Pension Liability Data Cost Sharing Retirement Systems

Retirement System / Measurement Date	Share of Collective Net Pension Liability		Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll	Pension Plans Fiduciary Net Position as a Percentage of Total Pension Liability
	Percent	Amount			
Municipal Employees' Retirement System					
June 30, 2015	0.3594%	244,238	225,063	108.5%	76.9%
June 30, 2016	0.3508%	290,145	253,497	114.5%	63.3%
June 30, 2017	0.3415%	296,546	220,649	134.4%	63.5%
June 30, 2018	0.2977%	251,839	210,049	119.9%	65.6%
June 30, 2019	0.2762%	251,688	189,615	132.7%	66.1%
Firefighters's Retirement System					
June 30, 2015	0.0172%	92,652	28,057	330.2%	72.4%
June 30, 2016	0.0142%	92,574	33,804	273.9%	68.2%
June 30, 2017	0.0145%	82,986	30,466	272.4%	73.5%
June 30, 2018	0.0128%	73,604	34,291	214.6%	74.8%
June 30, 2019	0.1418%	88,845	36,143	245.8%	74.0%
Municipal Police Employees' Retirement System					
June 30, 2015	0.0573%	448,541	102,648	437.0%	70.7%
June 30, 2016	0.0629%	589,849	126,521	466.2%	66.0%
June 30, 2017	0.0465%	406,192	60,176	675.0%	70.1%
June 30, 2018	0.0218%	184,451	37,200	495.8%	71.9%
June 30, 2019	0.1132%	102,858	45,822	224.5%	71.0%

Notes to Schedule:

At the present time, management has not identified any factors that are expected to significantly affect trends in the amounts reported above.

TOWN OF NEW LLANO

Schedule of Employer Contributions Cost Sharing Retirement Systems

Retirement System / Fiscal Year Ending	Statutorily Required Employer Contributions	Contributions Recognized By the Pension Plan	Difference Between Required and Recognized Contributions	Covered Payroll	Contributions Recognized as a Percentage of Covered Payroll
Municipal Employees' Retirement System					
June 30, 2015	24,485	23,682	803	257,741	9.19%
June 30, 2016	27,885	24,485	3,400	253,497	9.66%
June 30, 2017	29,236	25,221	4,015	220,649	11.43%
June 30, 2018	29,407	29,408	(1)	210,049	14.00%
June 30, 2019	26,546	29,560	(3,014)	189,615	15.59%
Firefighters's Retirement System					
June 30, 2015	9,293	10,687	(1,394)	34,102	31.34%
June 30, 2016	8,535	8,696	(161)	33,804	25.72%
June 30, 2017	8,073	8,555	(482)	30,466	28.08%
June 30, 2018	9,087	8,093	994	34,291	23.60%
June 30, 2019	10,030	9,110	920	36,143	25.21%
Municipal Police Employees' Retirement System					
June 30, 2015	51,174	48,281	2,893	172,673	27.96%
June 30, 2016	40,171	52,004	(11,833)	126,521	41.10%
June 30, 2017	18,504	44,129	(25,625)	60,176	73.33%
June 30, 2018	11,997	19,819	(7,822)	37,200	53.28%
June 30, 2019	14,778	11,419	3,359	45,822	24.92%

Notes to Schedule:

At the present time, management has not identified any factors that are expected to significantly affect trends in the amounts reported above.

TOWN OF NEW LLANO

Combining Balance Sheet

Non Major Governmental Funds

June 30, 2020

	LCDBG	Debt Service		Non-Major Funds
		Town Hall Sinking Fund	Series 2007A	
Assets				
Cash & cash equivalents	\$ 735	\$ -	\$ -	\$ 735
Interfund Receivables	-	-	1,753	1,753
Restricted Cash	-	62,608	215,350	277,958
Total assets	\$ 735	\$ 62,608	\$ 217,103	\$ 280,446
Liabilities and Fund Balance				
Liabilities				
Interfund Payable	\$ 500	\$ -	\$ -	\$ 500
Total liabilities	500	-	-	500
Fund Balance				
Restricted				
Debt Service	-	-	215,350	215,350
Assigned to Debt Service	-	62,608	-	62,608
Unassigned	235	-	1,753	1,988
Total Fund Balances	235	62,608	217,103	279,946
Total Liabilities and Fund Balance	\$ 735	\$ 62,608	\$ 217,103	\$ 280,446

TOWN OF NEW LLANO

***Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non Major Governmental Funds
Year Ended June 30, 2020***

	LCDBG	Debt Service		Non-Major Fund
		Town Hall Sinking Fund	Series 2007A	
<u>Revenues:</u>				
Ad Valorem Taxes	\$ -	\$ -	\$ 39,895	\$ 39,895
Miscellaneous	10	26	230	266
Total revenues	<u>10</u>	<u>26</u>	<u>40,125</u>	<u>40,161</u>
<u>Expenditures:</u>				
Debt Service	-	49,878	56,165	106,043
Total expenditures	<u>-</u>	<u>49,878</u>	<u>56,165</u>	<u>106,043</u>
Excess (deficiency) of revenues over expenditures	10	(49,852)	(16,040)	(65,882)
Other sources (uses)				
Operating transfers in (out)	50	60,000	-	60,050
Excess (Deficiency) of Revenues and Other Sources Over Over Expenditures and Other Uses	60	10,148	(16,040)	(5,832)
Fund balance - beginning of year	<u>175</u>	<u>52,460</u>	<u>233,143</u>	<u>285,778</u>
Fund balance - end of year	<u>\$ 235</u>	<u>\$ 62,608</u>	<u>\$ 217,103</u>	<u>\$ 279,946</u>

TOWN OF NEW LLANO

Schedule of Compensation Paid to Board Members

Year Ended June 30, 2020

Denis Jordan	Mayor	\$ 8,000
Carolyn Todd	Mayor	\$ 5,000
Charlotte Cooper	Council Member	3,125
Lesley Poteat	Council Member	3,125
Terry Speicher	Council Member	3,425
Winfort Steward	Council Member	1,000
Carolyn Todd	Council Member	2,450
Ervin Wilson	Council Member	<u>3,125</u>
Total Compensation		<u>\$ 29,250</u>

TOWN OF NEW LLANO

Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer Year Ended June 30, 2020

Purpose:	Agency Head (Mayor)		Total
	Carolyn Todd	Dennis Jordan	
Compensation	\$ 5,000	\$ 8,000	\$ 13,000
Benefits	-	-	-
Reimbursements	-	-	-



December 14, 2020

**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**

The Honorable Mayor
And the Board of Alderman
Town of New Llano, Louisiana

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, each major fund, and the aggregate remaining fund information of the Town of New Llano, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of New Llano's basic financial statements, and have issued our report thereon dated December 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of New Llano'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 New Llano's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of New Llano's internal control.

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



1407 Peterman Drive
Post Office Box 12178
Alexandria, Louisiana 71315

Voice: 318.442.1608
Fax: 318.487.2027
Online: CenlaCPAs.com

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of New Llano's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2020-001.

Management's Response to Findings

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

Purpose of this Report

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



Rozier, McKay, & Willis
Certified Public Accountants

Town of New Llano, Louisiana
Schedule of Findings and Response
For the Year Ended June 30, 2020

Part I - Summary of Auditor's Results:

- The Independent Auditor's Report on the financial statements for the Town of New Llano as of June 30, 2020, and for the year then ended expressed an unmodified opinion.
- The results of the audit did disclose an instance of noncompliance (**Finding 2020-001**) that is considered to be material to the financial statements of the Town of New Llano.
- The Town was not required to have a Single Audit; therefore, none of the reporting required by OMB Circular A-133 was required.

Part II - Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

Finding 2020-001 – Budget Violation

Louisiana Revised Statutes require local governments to amend the budget if anticipated revenues and expenditures; when actual revenues and expenditures exceed an unfavorable variance by more than 5%. Management failed to properly budget transfers in to the general fund. As a result, the general fund revenues had variances outside the 5% range required by state law. We suggest carefully monitoring revenues and amending the budget accordingly when anticipated revenues are outside the ranges required by state law.

Part III - Findings and Questioned Costs for Federal Awards Which Shall Include Audit Findings as Defined by OMB Circular A-133:

- There are no matters to report.

**Town of New Llano, Louisiana
Management's Corrective Action Plan
For the Year Ended June 30, 2020**

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
<p><u>Finding 2020-001 – Budget Violation</u> Louisiana Revised Statutes require local governments to amend the budget if anticipated revenues and expenditures; when actual revenues and expenditures exceed an unfavorable variance by more than 5%. Management failed to properly budget transfers in to the general fund. As a result, the general fund revenues had variances outside the 5% range required by state law. We suggest carefully monitoring revenues and amending the budget accordingly when anticipated revenues are outside the ranges required by state law.</p>	<p><u>Response</u> - We will closely monitor the revenues and amend the budget as required when variances are greater than 5% of actual revenues.</p>
SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
<p>Finding - N/A – There were no findings in this area.</p>	<p>Response - N/A</p>
SECTION III – MANAGEMENT LETTER	
<p>Finding - N/A – There were no findings in this area.</p>	<p>Response - N/A</p>

Town of New Llano, Louisiana
Schedule of Prior Year Findings
For the Year Ended June 30, 2020

SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
Finding - N/A – There were no findings in this area.	Response - N/A
SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
N/A – There were no findings in this area.	Response - N/A
SECTION III – MANAGEMENT LETTER	
N/A – There were no findings in this area.	Response - N/A