

TOWN OF CLARKS, LOUISIANA

Annual Financial Statements

JUNE 30, 2018

Town of Clarks, Louisiana
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June 30, 2018

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John R. Vercher C.P.A.
jrv@centurytel.net

Jonathan M. Vercher M.S., C.P.A.
jonathanvercher@centurytel.net

David R. Vercher M.B.A., C.P.A., C.F.E.
davidvercher@centurytel.net

THE VERCHER GROUP

*A Professional Corporation of
Certified Public Accountants*

**P.O. Box 1608
1737 N 2nd St. – Suite A
Jena, Louisiana 71342
Tel: (318) 992-6348
Fax: (318) 992-4374**

MEMBERS

American Institute of
Certified Public Accountants

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Certified Public Accountants

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Certified Fraud Examiners

INDEPENDENT AUDITOR'S REPORT

The Honorable Chad Coates, Mayor
& Members of the Board
Clarks, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Town of Clarks, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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 and the business-type activities of the Town of Clarks, as of November 12, 2018, and the respective changes in financial position, and, where applicable, 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 that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clark's basic financial statements. The Schedule of Compensation Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation of Benefits and Other Payments to Agency Head or Chief Executive Officer 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 the Schedule of Compensation Benefits and Other Payments to Agency Head or Chief Executive Officer is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018, on our consideration of the Town of Clark'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 Clark's internal control over financial reporting and compliance.

The Vercher Group

Jena, Louisiana
November 12, 2018

Town of Clarks

PO Box 360

Clarks, Louisiana 71415

Tel: (318) 649-7218

Fax: (318) 649-7215

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the Town, we offer readers of the Town of Clarks' financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Governmental Funds

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$1,216,274 (*net position*). This is a \$313,729 increase from last year.
- The Town had total revenue of \$406,252, in which \$17,746 came from fees and charges and \$371,026 came from capital contributions. This is a \$349,116 increase from last year's revenues, mainly due to an increase in capital contributions in the amount of \$358,202.
- The Town had total expenditures of \$496,049, which is a \$384,493 increase from last year, mainly due to an increase in capital outlay in the amount of \$394,371.

Enterprise Funds

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$697,549 (*net position*). This is a \$102,198 decrease from last year.
- The Town had total revenue of \$229,358. This is a \$32,993 decrease from last year, mainly due to a decrease in capital contributions in the amount of \$44,493.
- The Town had total expenses of \$270,193, including depreciation expense in the amount of \$97,719 which is a non-cash transaction. This is a \$9,646 decrease from last year.

MD&A

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of two components: 1) fund financial statements, and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Town is a special-purpose entity engaged only in governmental activities. Accordingly, only fund financial statements are presented as the basic financial statements.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

USING THIS ANNUAL REPORT

The Town's annual report consists of financial statements that show information about the Town's funds, enterprise funds and governmental funds.

Our accountant has provided assurance in his independent accountant's report, located immediately following this Management's Discussion and Analysis, that the basic financial statements are fairly stated. Varying degrees of assurance are being provided by the accountant regarding the other information included in this report. A user of this report should read the independent accountant's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Reporting the Town's Most Significant Funds

The Town's financial statements provide detailed information about the most significant funds. The Town may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money. The Town's enterprise fund uses the following accounting approach:

All of the Town's services are reported in an enterprise fund. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

MD&A

Comparative Statement of Net Position Governmental Funds

The following table represents a Comparative Statement of Net Position as of June 30, 2018:

	<u>2017</u>	<u>2018</u>	<u>% Change</u>
Current Assets			
Cash & Cash Equivalents	\$ 30,251	\$ 10,558	-65.1
Receivables (Net)	4,450	166,747	3,647.1
Total Current Assets	<u>34,701</u>	<u>177,305</u>	411.0
Non-Current Assets			
Restricted Assets	37,426	7,711	-79.4
Capital Assets, Net of Accumulated Depreciation	838,581	1,200,484	43.2
Total Non-Current Assets	<u>876,007</u>	<u>1,208,195</u>	37.9
Total Assets	<u>910,708</u>	<u>1,385,500</u>	52.1
Current Liabilities			
Accounts Payable	8,163	168,854	1,968.5
Accrued Payroll/Payroll Taxes Payable	-0-	372	100.0
Total Current Liabilities	<u>8,163</u>	<u>169,226</u>	1,973.1
Total Liabilities	<u>8,163</u>	<u>169,226</u>	1,973.1
Net Position			
Net Investment in Capital Assets	838,581	1,200,484	43.2
Restricted	37,426	7,711	-79.4
Unrestricted	26,538	8,079	-69.6
Total Net Position	<u>\$ 902,545</u>	<u>\$ 1,216,274</u>	34.8

MD&A

Comparative Changes in Fund Balances Governmental Funds

The following table reflects the Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances for the year ended June 30, 2018:

	<u>2017</u>	<u>2018</u>	<u>% Change</u>
Revenues			
Fees & Charges	\$ 18,737	\$ 17,746	-5.3
Taxes	11,752	9,527	-18.9
Fines & Forfeitures	3,873	358	-90.8
Fire Income	5,801	2,728	-53.0
Rental Fees	2,375	2,475	4.2
Intergovernmental- Capital Grants	12,824	371,026	2,793.2
Miscellaneous	1,753	2,389	36.3
Total Revenues	<u>57,115</u>	<u>406,249</u>	611.3
Expenditures			
Personnel Expense	19,172	12,395	-39.4
Police Expense	14,062	11,122	-20.9
Fire Expense	9,246	11,618	25.7
Street Repairs	10,810	606	-94.4
Insurance Expense	8,106	15,701	93.7
Other Administrative	7,173	8,705	21.4
Utilities	24,106	23,960	-0.6
Repairs & Maintenance	-0-	-0-	0.0
Professional	6,813	6,120	-10.2
Capital Outlay	11,000	405,371	3,585.2
Miscellaneous	1,068	451	-57.8
Total Expenditures	<u>111,556</u>	<u>496,049</u>	344.7
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(54,441)</u>	<u>(89,800)</u>	65.0
Other Financing Sources (Uses)			
Interest Income	21	3	-85.7
Transfers	64,130	41,623	-35.1
Total Other Financing Sources (Uses)	<u>64,151</u>	<u>41,626</u>	-35.1
Net Change in Fund Balance	9,710	(48,174)	-596.1
Fund Balances - Beginning	54,254	63,964	17.9
Fund Balances - Ending	<u>\$ 63,964</u>	<u>\$ 15,790</u>	-75.3

MD&A

Comparative Statement of Net Position Enterprise Funds

The following table represents a Comparative Statement of Net Position as of June 30, 2018:

	<u>2017</u>	<u>2018</u>	<u>% Change</u>
Assets			
Cash & Investments	\$ 61,782	\$ 60,349	-2.3
Restricted Cash	23,183	42,921	85.1
Receivables (Net)	17,909	17,162	-4.2
Capital Assets, Net of Accumulated Depreciation	<u>727,577</u>	<u>629,858</u>	-13.4
Total Assets	<u>830,451</u>	<u>750,290</u>	-9.7
Liabilities and Net Position			
Accounts, Salaries, & Other Payables	7,521	9,820	30.6
Customer Deposits	<u>23,183</u>	<u>42,921</u>	85.1
Total Liabilities	<u>30,704</u>	<u>52,741</u>	71.8
Net Position			
Net Investment in Capital Assets	727,577	629,858	-13.4
Unrestricted	<u>72,170</u>	<u>67,691</u>	-6.2
Total Net Position	<u>\$ 799,747</u>	<u>\$ 697,549</u>	-12.8

MD&A

Comparative Changes in Net Position Enterprise Funds

The following table reflects the Comparative Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2018:

	<u>2017</u>	<u>2018</u>	<u>% Change</u>
Operating Revenues			
Charges for Services	\$ 210,523	\$ 222,106	5.5
Miscellaneous Revenue	7,231	7,167	-0.9
Total Operating Revenues	<u>217,754</u>	<u>229,273</u>	5.3
Operating Expenses			
Cost of Sales & Services	182,120	172,474	-5.3
Depreciation	97,719	97,719	0.0
Total Operating Expenses	<u>279,839</u>	<u>270,193</u>	-3.5
Operating Income (Loss)	<u>(62,085)</u>	<u>(40,920)</u>	-34.1
Other Financing Sources (Uses)			
Interest Income	104	82	-21.2
Transfers In (Out)	(64,130)	(41,623)	-35.1
Total Other Financing Sources (Uses)	<u>(64,026)</u>	<u>(41,541)</u>	-35.1
Capital Contributions	44,493	-0-	-100.0
Increase (Decrease) in Net Position	(81,618)	(82,461)	1.0
Prior Period Adjustment	19,840	(19,737)	-199.5
Beginning Net Position	861,525	799,747	-7.2
Ending Net Position	<u>\$ 799,747</u>	<u>\$ 697,549</u>	-12.8

CAPITAL ASSETS

Capital Assets – Governmental Fund

At June 30, 2018, the Town had \$1,200,484 invested in capital assets, including the following:

Capital Assets at Year-End

	<u>2017</u>	<u>2018</u>
Land*	\$ 1,700	\$ 1,700
Buildings	61,000	61,000
Vehicles & Equipment	494,180	494,180
Improvements	743,984	755,743
Construction in Progress*	5,000	393,612
Accumulated Depreciation	(467,283)	(505,751)
Total	<u>\$ 838,581</u>	<u>\$ 1,200,484</u>

* Land in the amount of \$1,700 and construction in progress in the amount of \$393,612 are not being depreciated.

MD&A

Capital Assets – Enterprise Fund

At June 30, 2018, the Town had \$629,858 invested in capital assets, including the following:

Capital Assets at Year-End		
	<u>2017</u>	<u>2018</u>
Land*	\$ 1,500	\$ 1,500
Water System & Improvements	1,902,438	1,902,438
Sewer System & Improvements	1,484,988	1,484,988
Equipment	23,975	23,975
Construction in Progress	-0-	-0-
Accumulated Depreciation	<u>(2,685,324)</u>	<u>(2,783,043)</u>
Total	<u>\$ 727,577</u>	<u>\$ 629,858</u>

*Land in the amount of \$1,500 is not being depreciated.

CONTACTING THE TOWN'S FINANCIAL MANGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact Mayor Chad Coates, phone number (318) 649-7218.

Basic Financial Statements

Town of Clarks, Louisiana
Statement of Net Position
June 30, 2018

	PRIMARY GOVERNMENT		
	BUSINESS-		
	GOVERNMENTAL	TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
	<u> </u>	<u> </u>	<u> </u>
CURRENT ASSETS			
Cash & Cash Equivalents	\$ 10,558	\$ 60,349	\$ 70,907
Receivables	166,747	17,162	183,909
TOTAL CURRENT ASSETS	<u>177,305</u>	<u>77,511</u>	<u>254,816</u>
NON CURRENT ASSETS			
Restricted Assets	7,711	42,921	50,632
Capital Assets (Net of Accumulated Depreciation)	1,200,484	629,858	1,830,342
TOTAL NON CURRENT ASSETS	<u>1,208,195</u>	<u>672,779</u>	<u>1,880,974</u>
TOTAL ASSETS	<u>1,385,500</u>	<u>750,290</u>	<u>2,135,790</u>
CURRENT LIABILITIES			
Accounts Payable	168,854	9,820	178,674
Accrued Payroll/Payroll Taxes Payable	372	-0-	372
TOTAL CURRENT LIABILITIES	<u>169,226</u>	<u>9,820</u>	<u>179,046</u>
NON CURRENT LIABILITIES			
Customer Deposits	-0-	42,921	42,921
TOTAL NON CURRENT LIABILITIES	<u>-0-</u>	<u>42,921</u>	<u>42,921</u>
TOTAL LIABILITIES	<u>169,226</u>	<u>52,741</u>	<u>221,967</u>
NET POSITION			
Net Investment in Capital Assets	1,200,484	629,858	1,830,342
Restricted	7,711	-0-	7,711
Unrestricted	8,079	67,691	75,770
TOTAL NET POSITION	<u>\$ 1,216,274</u>	<u>\$ 697,549</u>	<u>\$ 1,913,823</u>

The accompanying notes are an integral part of this statement.

Town of Clarks, Louisiana
Balance Sheet, Governmental Funds
June 30, 2018

	GENERAL FUND
ASSETS	
Cash & Cash Equivalents	\$ 10,558
Restricted Cash	7,711
Receivables	166,747
TOTAL ASSETS	185,016
LIABILITIES	
Accounts Payable	168,854
Accrued Payroll/Payroll Taxes Payable	372
TOTAL LIABILITIES	169,226
FUND BALANCES	
Unassigned	8,079
Restricted	7,711
TOTAL FUND BALANCES	15,790
TOTAL LIABILITIES & FUND BALANCE	\$ 185,016

The accompanying notes are an integral part of this statement.

Town of Clarks, Louisiana
Reconciliation of the Government Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
June 30, 2018

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Fund Balance, Total Governmental Funds (Statement C)	\$ 15,790			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	1,200,484			
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right;">Long-Term Debt</td> <td style="text-align: right;">-----0-</td> <td style="text-align: right;">-----0-</td> </tr> </table>	Long-Term Debt	-----0-	-----0-
Long-Term Debt	-----0-	-----0-		
Net Position of Governmental Activities (Statement A)	\$ <u>1,216,274</u>			

The accompanying notes are an integral part of this statement.

Town of Clarks, Louisiana
Statement of Revenues, Expenditures &
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>GENERAL FUND</u>
REVENUES	
Fees & Charges	\$ 17,746
Taxes	9,527
Fines & Forfeitures	358
Fire Income	2,728
Rental Fees	2,475
Intergovernmental – Capital Grants	371,026
Miscellaneous	2,389
TOTAL REVENUES	<u>406,249</u>
EXPENDITURES	
Personnel Expense	12,395
Police Expense	11,122
Fire Expense	11,618
Street Repairs	606
Insurance Expense	15,701
Other Administrative	8,705
Utilities	23,960
Repairs & Maintenance	-0-
Professional	6,120
Capital Outlay	405,371
Miscellaneous	451
TOTAL EXPENDITURES	<u>496,049</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)	
EXPENDITURES	<u>(89,800)</u>
OTHER FINANCING SOURCES (USES)	
Transfers In/(Out)	41,623
Interest Income	3
TOTAL OTHER FINANCING SOURCES (USES)	<u>41,626</u>
NET CHANGE IN FUND BALANCE	(48,174)
FUND BALANCES - BEGINNING	<u>63,964</u>
FUND BALANCES - ENDING	<u>\$ 15,790</u>

The accompanying notes are an integral part of this statement.

Town of Clarks, Louisiana
Reconciliation of the Statement of Revenues, Expenditures,
& Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2018

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

Net Change in Fund Balances, Total Governmental Funds, Statement E		\$ (48,174)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	Capital Outlay Depreciation Exp.	400,371 <u>(38,468)</u>
		361,903
The issuance of short-term and long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs premiums, discounts, and similar items when is issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	Principal Loan Proceeds	-0- <u>-0-</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>-0-</u>
Changes in Net Position of Governmental Activities, Statement B		\$ <u>313,729</u>

The accompanying notes are an integral part of this statement.

Town of Clarks, Louisiana
Statement of Net Position, Proprietary Funds
June 30, 2018

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS	
(MAJOR ENTERPRISE FUNDS)	
	ENTERPRISE FUND
ASSETS	
CURRENT ASSETS	
Cash	\$ 60,349
Receivables	17,162
TOTAL CURRENT ASSETS	<u>77,511</u>
NON-CURRENT ASSETS	
Restricted Assets	42,921
Capital Assets (Net of Accumulated Depreciation)	629,858
TOTAL NON-CURRENT ASSETS	<u>672,779</u>
TOTAL ASSETS	<u>750,290</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts, Salaries, & Other Payables	9,820
TOTAL CURRENT LIABILITIES	<u>9,820</u>
NON CURRENT LIABILITIES	
Customer Deposits	42,921
TOTAL NON CURRENT LIABILITIES	<u>42,921</u>
TOTAL LIABILITIES	<u>52,741</u>
NET POSITION	
Net Investment in Capital Assets	629,858
Unrestricted	67,691
TOTAL NET POSITION	<u>\$ 697,549</u>

The accompanying notes are an integral part of this statement.

Town of Clarks, Louisiana
Statement of Revenues, Expenses & Changes in Net Position
Proprietary Funds
June 30, 2018

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS	
(MAJOR ENTERPRISE FUNDS)	
	ENTERPRISE FUND
OPERATING REVENUES	
Charges for Services	\$ 222,106
Reimbursements	-0-
Other Income	7,167
TOTAL OPERATING REVENUES	<u>229,273</u>
OPERATING EXPENSES	
Cost of Sales & Services	172,474
Depreciation	97,719
TOTAL OPERATING EXPENSES	<u>270,193</u>
OPERATING INCOME (LOSS)	<u>(40,920)</u>
OTHER FINANCING SOURCES (USES)	
Interest Income	82
Transfers In (Out)	(41,623)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(41,541)</u>
CAPITAL CONTRIBUTIONS	<u>-0-</u>
CHANGE IN NET POSITION	(82,461)
PRIOR PERIOD ADJUSTMENT	(19,737)
TOTAL NET POSITION - BEGINNING	799,747
TOTAL NET POSITION - ENDING	<u>\$ 697,549</u>

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

Town of Clarks, Louisiana
Statement of Cash Flows
Proprietary Funds
June 30, 2018

BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS	
(MAJOR ENTERPRISE FUNDS)	
	ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers & Users	\$ 230,020
Payments to Suppliers & Employees	(170,173)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>59,847</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from (to) Other Funds	(41,623)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(41,623)</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Capital Contributions	-0-
Addition of Capital Assets	-0-
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Dividends Received	82
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	<u>82</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	18,306
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	84,965
CASH & CASH EQUIVALENTS, END OF YEAR	<u>103,271</u>
RECONCILIATION TO BALANCE SHEET	
Cash and Cash Equivalents	60,349
Restricted Cash	42,921
TOTAL CASH & CASH EQUIVALENTS	<u>\$ 103,271</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	(40,920)
Depreciation Expense	97,719
(Increase) Decrease in Accounts Receivable	747
Increase (Decrease) in Accounts Payables	2,301
Increase (Decrease) in Customer Deposits	-0-
TOTAL ADJUSTMENTS	<u>100,767</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 59,847</u>

The accompanying notes are an integral part of this statement.

**Notes To The Basic
Financial Statements**

TOWN OF CLARKS, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Clarks was incorporated under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Alderman form of government. The Town provides the following significant services to its residents as provided by its charter: public safety (police and fire), highways and streets, utilities (water and sewer services) and general administrative functions, including coordination of related services with parish, state and federal governing bodies.

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

The following is a summary of certain significant accounting policies:

A. GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF CLARKS, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS-(CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, & FINANCIAL STATEMENT PRESENTATION

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The municipality reports the following major proprietary funds:

- Water and Sewer Fund

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

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

TOWN OF CLARKS, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS-(CONTINUED)

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

C. EQUITY CLASSIFICATIONS

In the government-wide financial statements, equity is classified as Net Position and displayed in three components as applicable. The components are as follows:

Net Investment in Capital Assets - Capital assets including restricted capital assets, when applicable, net of accumulated depreciation.

Restricted Net Position - Net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

When an expense is incurred for the purposes for which both restricted and unrestricted net position is available, management applies restricted resources first. The policy concerning which to apply first varies with the intended use and legal requirements. The decision is typically made by management at the incurrence of the expense.

In the Fund Financial Statements, governmental fund equity is classified as a fund balance. The Town has implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the purposes for which resources can be used:

- a. Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;
- b. Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- c. Committed fund balance – amounts constrained to specific purposes by a government itself using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

TOWN OF CLARKS, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS-(CONTINUED)

- d. Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- e. Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

D. FIXED ASSETS & LONG-TERM LIABILITIES

For the year ended June 30, 2018, no interest costs were capitalized for construction of fixed assets. The Town of Clarks has a capitalization policy of \$1,500.

Depreciation of all exhaustible fixed assets is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet and governmental fund statement of activities. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Life in Years</u>
Water/Sewer System	40
Equipment	5-10
Auto	6-7

E. CASH & INVESTMENTS

All cash and investments (CD's over 90 days) are reported at cost and are on deposit as follows at federally insured banks:

It is the Town's policy for deposits to be 100% secured by collateral at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at fiscal year-end. The categories are described as follows:

- *Category 1* – Insured or collateralized with securities held by the Town or by its agent in the Town's name.
- *Category 2* – Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- *Category 3* – Uncollateralized.

At June 30, 2018, the Town of Clarks' bank balance was \$128,339. Amounts on deposit are secured by the following pledges:

<u>Description</u>	<u>Market Value</u>
FDIC (Category 1)	\$ 128,339
Securities (Category 2)	-0-
Total	<u>\$ 128,339</u>

TOWN OF CLARKS, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS-(CONTINUED)

Deposits were fully secured as of June 30, 2018.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Entity that the fiscal agent bank has failed to pay deposit funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Entity's name.

F. ACCOUNTS RECEIVABLE & BAD DEBTS-GENERAL FUND & ALLOWANCE FOR BAD DEBTS

Property tax receivables are generally shown net of an allowance for uncollectible amounts. These statements contain no provision for uncollectible accounts for property taxes. The Town is of the opinion that such an allowance would be immaterial in relation to the financial statements taken as a whole.

Trade receivables are generally shown net of an allowance for uncollectible amounts. The Town is of the opinion that an allowance for uncollectible accounts would be immaterial to the financial statements. Past due amounts are written off when they are considered uncollectible by management.

	Governmental		Business
	General		Enterprise
	Fund		Fund
Sales Tax	\$ 257	\$	-0-
Franchise Tax	1,684		-0-
Occupational Licenses	81		-0-
Grants	164,725		-0-
Customer	-0-		17,162
Allowance for Bad Debts	-0-		-0-
Total	\$ 166,747	\$	17,162

G. INVENTORIES

Immaterial amounts of inventory are maintained for general fund and enterprise fund operations and, accordingly, these supplies are expensed as purchased.

TOWN OF CLARKS, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS-(CONTINUED)

H. AD VALOREM AND SALES TAXES

Property taxes are levied on a calendar year basis and become due on January 1 of each year. For the year ended June 30, 2018, the Town levied 6.15 mills for operations of the General Fund.

The Town receives a pro-rata share of a one-fourth of one percent parish wide (excluding the Town of Columbia) sales tax approved by the voters in Caldwell Parish on October 19, 1985, for fire protection in the parish. The sales tax is collected by the police jury and remitted to the Town net of its pro-rata share of the cost of collection.

I. COMPENSATED ABSENCES

It is the Town's policy to permit full time permanent employees to earn 18 days of annual leave for each full year of employment. Annual leave is credited to employees each pay period on a pro rata basis. Employees are allowed to carry over 30 to 45 days of accumulated annual leave to the following year based on years of service. All full time permanent employees earn 10 days of sick leave for each full year of employment. Sick leave is credited to employees each pay period on a pro rata basis. Employees are allowed to accumulate any unused sick leave hours without limitation.

Upon termination, resignation, or retirement, employees shall be paid at their current rate of pay, for accumulated annual and sick leave combined from 90 to 105 days based on years of service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the Water Fund financial statements, which is the fund that pays the salaries of the Town's permanent full time employees. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The Town's total accrued compensated absences liability at June 30, 2018, was zero.

J. RESTRICTED NET POSITION

The Town records restricted assets to indicate that a portion of its net position balances are legally restricted for a specific future use. The following is a list of such restrictions and a description of each:

Restricted for Road Maintenance

This amount represents \$7,711 restricted for repairs and maintenance of the Town roads.

(2) RESTRICTED ASSETS

A. GOVERNMENTAL FUNDS

Cash in the amount of \$7,711 that was received under a federal grant program and restricted for street repairs is reported as restricted cash with a corresponding restriction of net position/fund balance.

TOWN OF CLARKS, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS-(CONTINUED)

B. PROPRIETARY FUND

At June 30, 2018, restricted assets of the Enterprise funds were invested in either interest bearing checking accounts or time deposits and were restricted for the following purposes:

		<u>Water</u>		
Customer Deposits	\$	<u>42,921</u>		
Total	\$	<u><u>42,921</u></u>		

(3) GOVERNMENTAL FUND PROPERTY PLANT AND EQUIPMENT

A summary of general fund property, plant, and equipment at June 30, 2018, is as follows:

	<u>Balance</u> <u>6-30-2017</u>	<u>Additions</u> <u>(Deletions)</u>		<u>Balance</u> <u>6-30-2018</u>
Land*	\$ 1,700	\$ -0-	\$	1,700
Building	61,000	-0-		61,000
Vehicles & Equipment	494,180	-0-		494,180
Improvements	743,984	11,759		755,743
Construction in Progress*	<u>5,000</u>	<u>388,612</u>		<u>393,612</u>
Total Fixed Assets	<u>1,305,864</u>	<u>400,371</u>		<u>1,706,235</u>
Accumulated Depreciation	<u>(467,283)</u>	<u>(38,468)</u>		<u>(505,751)</u>
Total Fixed Assets (Net)	\$ <u>838,581</u>	\$ <u>361,903</u>	\$	<u>1,200,484</u>

* Land in the amount of \$1,700 and construction in progress in the amount of \$393,612 are not being depreciated.

(4) ENTERPRISE FUND PROPERTY PLANT AND EQUIPMENT

A summary of enterprise fund property, plant, and equipment at June 30, 2018, is as follows:

	<u>Balance</u> <u>6-30-2017</u>	<u>Additions</u> <u>(Deletions)</u>		<u>Balance</u> <u>6-30-2018</u>
Land*	\$ 1,500	\$ -0-	\$	1,500
Water System & Improvements	1,902,438	-0-		1,902,438
Sewer System & Improvements	1,484,988	-0-		1,484,988
Equipment	23,975	-0-		23,975
Construction in Progress	-0-	-0-		-0-
Accumulated Depreciation	<u>(2,685,324)</u>	<u>(97,719)</u>		<u>(2,783,043)</u>
Total	\$ <u>727,577</u>	\$ <u>(97,719)</u>	\$	<u>629,858</u>

*Land in the amount of \$1,500 is not being depreciated.

TOWN OF CLARKS, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS-(CONTINUED)

(5) ACCOUNTS, SALARIES, AND OTHER PAYABLES

General Fund

The payables of \$169,226 at June 30, 2018, are as follows:

Accounts Payable	\$ 168,854
Accrued Payroll	372
Total	\$ <u>169,226</u>

Enterprise Fund

The payables of \$9,820 at June 30, 2018, are as follows:

Accounts Payable	\$ 8,605
Accrued Payroll	1,215
Total	\$ <u>9,820</u>

(6) ELECTED OFFICIAL'S SALARIES

<u>Name</u>	<u>Title</u>	<u>Annualized Salary</u>
Chad Coates	Mayor	\$ 1,800
Margie Fisher	Alderman	600
Patsy Fisher	Alderman	600
Shawn Guinn	Alderman	600
Krissy Jolly	Alderman	600
Jason Morris	Alderman	\$ 600

(7) USE OF ESTIMATES

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

(8) RETIREMENT PLANS

The Town does not offer its employees a retirement plan. All employees are in the social security system.

TOWN OF CLARKS, LOUISIANA

NOTES TO THE BASIC FINANCIAL STATEMENTS-(CONTINUED)

(9) TRANSFERS

<u>Fund</u>	<u>Transfers From/To Other Funds</u>		
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Total</u>
General	\$ 41,623	\$ -0-	\$ 41,623
Enterprise	-0-	(41,623)	(41,623)
Total	\$ 41,623	\$ (41,623)	\$ -0-

The transfers were made to help pay for operational expenses.

(10) RISK MANAGEMENT AND CONTINGENT LIABILITIES

The Town purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

(11) FEDERAL GRANT CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor agencies. If any expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Town. In the opinion of management, any such adjustments would not be material to the Town's operating results or fund balances.

(12) PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$19,797 was made in the enterprise fund to correct customer deposits liability.

(13) EXPENDITURES IN EXCESS OF APPROPRIATIONS

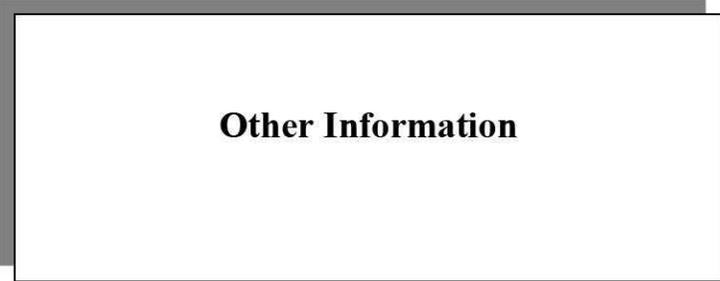
The Town of Clarks overspent their budget by \$132,765 or 36.6%.

**Required Supplemental
Information**

Town of Clarks, Louisiana
Statement of Revenues, Expenditures, & Changes in Fund Balance
Budget & Actual
General Fund
For the Year Ended June 30, 2018

	BUDGET AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	BUDGET TO ACTUAL DIFFERENCES FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Fees & Charges	\$ 18,000	\$ 20,204	\$ 17,746	\$ (2,458)
Taxes	10,500	9,462	9,527	65
Fines & Forfeitures	-0-	359	358	(1)
Miscellaneous	21,050	221,554	378,618	157,064
TOTAL REVENUES	49,550	251,579	406,249	154,670
EXPENDITURES				
Personnel Expense	21,000	20,576	12,395	8,181
Police Expense	10,000	11,420	11,122	298
Fire Expense	8,000	10,203	11,618	(1,415)
Street Repair	2,500	239,184	606	238,578
Insurance Expense	8,000	15,701	15,701	-0-
Other Administrative	5,100	9,225	8,705	520
Utilities	24,000	24,439	23,960	479
Repairs & Maintenance	3,000	11,839	-0-	11,839
Professional	4,500	6,120	6,120	-0-
Capital Outlay	-0-	-0-	405,371	(405,371)
Miscellaneous	5,500	14,577	451	14,126
TOTAL EXPENDITURES	91,600	363,284	496,049	(132,765)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(42,050)	(111,705)	(89,800)	21,905
OTHER FINANCING SOURCES (USES)				
Transfers In/(Out)	60,000	66,203	41,623	(24,580)
Interest Income	100	3	3	-0-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 60,100	\$ 66,206	41,626	\$ (24,580)
NET CHANGE IN FUND BALANCE			48,174	
FUND BALANCES – BEGINNING			63,964	
FUND BALANCES – ENDING			\$ 15,790	

See independent auditor's report.



Other Information

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

Honorable Chad Coates, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 1,800
Benefits-Insurance	-0-
Benefits-Retirement	-0-
Benefits (Expense Allowance)	-0-
Car Allowance	-0-
Vehicle Provided by Government	-0-
Per Diem	-0-
Reimbursements	-0-
Travel	-0-
Registration Fees	-0-
Conference Travel	-0-
Continuing Professional Education Fees	-0-
Housing	-0-
Un-vouchered Expenses*	-0-
Special Meals	\$ -0-

*An example of an un-vouchered expense would be a travel advance

See independent auditor's report.

Other Reports

John R. Vercher C.P.A.
jrv@centurytel.net

Jonathan M. Vercher M.S., C.P.A.
jonathanvercher@centurytel.net

David R. Vercher M.B.A., C.P.A., C.F.E.
davidvercher@centurytel.net

THE VERCHER GROUP

*A Professional Corporation of
Certified Public Accountants*

**P.O. Box 1608
1737 N 2nd St. – Suite A
Jena, Louisiana 71342
Tel: (318) 992-6348
Fax: (318) 992-4374**

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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*

Honorable Chad Coates, Mayor
& Members of the Board
Clarks, 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 and the business-type activities of the Town of Clarks, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Clarks’ basic financial statements and have issued our report thereon dated November 12, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies (**2018-2 Small Size of Entity**).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clarks' 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 matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item: **2018-1 Budget Variance**.

The Town of Clarks' Response to Findings

The Town of Clarks' response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Town of Clarks' 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. However, this report is a public document and its distribution is not limited.

The Vercher Group

Jena, Louisiana

November 12, 2018

TOWN OF CLARKS, LOUISIANA

**SCHEDULE OF FINDINGS AND QUESTIONED COST
For the Year Ended June 30, 2018**

We have audited the basic financial statements of the Town of Clarks, Louisiana, as of and for the year ended June 30, 2018, and have issued our report thereon dated November 12, 2018. We conducted our audit in accordance with generally accepted auditing standards 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.

Section I - Summary of Auditor's Results

Our audit of the financial statements as of June 30, 2018, resulted in an unmodified opinion.

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

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards (Not Applicable)

Internal Control

Material Weaknesses Yes No Other Conditions Yes No

Type of Opinion on Compliance Unmodified Qualified
For Major Programs Disclaimer Adverse

Are the finding required to be reported in accordance with Uniform Guidance?

Yes No

c. Identification of Major Programs:

CFDA Number (s)	Name of Federal Program (or Cluster)
------------------------	---

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Is the auditee a 'low-risk' auditee, as defined by OMB Uniform Guidance? Yes No

TOWN OF CLARKS, LOUISIANA

**SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)
For the Year Ended June 30, 2018**

Section II Financial Statement Findings

2018-1 Budget Variance

Condition: The Town had an unfavorable expenditure variance of \$132,765 or 37% and a favorable revenue variance in its general fund budget for the year ended June 30, 2018 because the department did not budget LCDBG payables.

Criteria: The Budget Act requires that budgets be amended when the variance exceeds 5%.

Cause of Condition: The Town did not budget LCDBG payables.

Effect of Condition: The general fund having an unfavorable expenditure variance and violating the Budget Act.

Recommendation: The Town should budget LCDBG payables.

Client Response: The Town will begin to budget LCDBG payables.

2018-2 Small Size of Entity

Condition: Because of the small size of the Town and the lack of separation of duties of employees, many of the important elements of good internal controls cannot always be achieved to ensure adequate protection of the Town's cash.

Criteria: Important elements of good internal controls often require that the same employee does not handle the functions of accounting, collections, billing, receiving and check writing.

Cause of Condition: Small size of entity and lack of employees.

Effect of Condition: Significant deficiency in internal controls.

Recommendation: We recommend that management continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

Client Response: Management will continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

Section III Federal Awards Findings and Questioned Costs

Not Applicable.

TOWN OF CLARKS, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION
FOR CURRENT YEAR AUDIT FINDINGS

FINDINGS:

2018-1 Budget Variance

Finding: The Town had an unfavorable expenditure variance of \$132,765 or 37% and a favorable revenue variance in its general fund budget for the year ended June 30, 2018 because the department did not budget LCDBG payables. The Budget Act requires that budgets be amended when the variance exceeds 5%.

Corrective Action: The Town will begin to budget LCDBG payables and amend the budget when the variance exceeds 5%.

Contact Person: Chad Coates, Mayor

Anticipated Completion Date: June 30, 2019

2018-2 Small Size Entity

Finding: Because of the small size of the Town and the lack of separation of duties of employees, many of the important elements of good internal controls cannot always be achieved to ensure adequate protection of the Town's cash.

Corrective Action: We recommend that management continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

Contact Person: Chad Coates, Mayor

Anticipated Completion Date: N/A

TOWN OF CLARKS, LOUISIANA

MANAGEMENT LETTER COMMENTS

During the course of our review, we observed conditions and circumstances that may be improved. Below are findings noted for improvement, our recommendation for improvement and the Town's plan for corrective action.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

No comments.

TOWN OF CLARKS, LOUISIANA

MANAGEMENT'S SUMMARY OF PRIOR YEAR FINDINGS

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

The management of the Town of Clarks, Louisiana, has provided the following action summaries relating to audit findings brought to their attention as a result of their financial compilation for the year ended June 30, 2017.

PRIOR YEAR FINDINGS

2017-1 Budget Variance (Unresolved)

Condition: The Town over budgeted its revenues by \$64,209 or 52.9% during the year.

Criteria: The Budget Act requires governments to amend their budgets when revenues fall below budgeted amounts by more than 5% or when expenditures exceed % of appropriations.

Cause of Condition: Not amending the budget at year end.

Effect of Condition: Violation of the Budget Act.

Recommendation: Revenues and expenditures should be monitored to determine if the budget should be amended before year end.

Client Response: The Town will begin monitoring revenues and expenditures to determine if the budget should be amended.

John R. Vercher C.P.A.
jrv@centurytel.net

Jonathan M. Vercher M.S., C.P.A.
jonathanvercher@centurytel.net

David R. Vercher M.B.A., C.P.A., C.F.E.
davidvercher@centurytel.net

THE VERCHER GROUP

*A Professional Corporation of
Certified Public Accountants*

**P.O. Box 1608
1737 N 2nd St. – Suite A
Jena, Louisiana 71342
Tel: (318) 992-6348
Fax: (318) 992-4374**

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Certified Public Accountants

Association of
Certified Fraud Examiners

AGREED-UPON PROCEDURES REPORT

Town of Clarks, Louisiana

Independent Accountant's Report

On Applying Agreed-Upon Procedures

For the Period of July 1, 2017- June 30, 2018

Town of Clarks
Clarks, Louisiana

To the Town of Clarks and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Clarks and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

Observation: We obtained the entity's written policies and procedures and read them for the above items.

Exception: The policies and procedure manual did not address "receipts/collections" or "debt service".

Management's Response: Management will update its policies and procedures manual to address "receipts/collections" and "debt service".

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

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

Observation:

A) The council meets with a quorum monthly.

B) Financial statements are presented at monthly meetings, but not budget-to-actual comparisons.

Exception: Budget-to-actual comparative financial statements are not presented at monthly meetings.

Management's Response: Management will begin preparing budget-to-actual comparative financial statements for monthly meetings if the software allows for such preparation.

C) The general fund had a positive fund balance in the prior year report.

Bank Reconciliations

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

Observation: We obtained a listing from management and management's representation that the list is complete. We selected the general fund, volunteer fire department, holding account, LCDBG and water fund account. We randomly selected April 2018 for each of these accounts and observed the following:

A) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date.

B) Bank reconciliations **do not** include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

Exception: Bank reconciliations **do not** include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

Management's Response: Management will have a member of management/board member who does not handle cash, post ledgers, or issue checks review and initial each bank reconciliation.

C) There were no outstanding items more than 12 months old.

Collections

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

Observation: We obtained a listing (the town hall) and management's representation that the listing is correct.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

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

Observation:

A) Employees that are responsible for cash collections do share cash drawers/registers.

Exception: Employees that are responsible for cash collections do share cash drawers/registers.

Management's Response: The entity does not have enough employees to implement this procedure.

B) The employee responsible for collecting cash is responsible for preparing/making bank deposits.

Exception: The employee responsible for collecting cash is responsible for preparing/making bank deposits.

Management's Response: The entity does not have enough employees to implement this procedure.

C) Each employee responsible for collecting cash is also responsible for posting collection entries to the general ledger or subsidiary ledgers.

Exception: Each employee responsible for collecting cash is also responsible for posting collection entries to the general ledger or subsidiary ledgers.

Management's Response: The entity does not have enough employees to implement this procedure.

D) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are also responsible for collecting cash.

Exception: The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are also responsible for collecting cash.

Management's Response: The entity does not have enough employees to implement this procedure.

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

Observation: All employees who have access to cash are covered by a bond or insurance policy for theft.

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

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

Observation: We randomly selected 2 deposit dates and observed the following:

A) Receipts are sequentially pre-numbered.

- B) We traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- C) We traced the deposit slip total to the actual deposit per the bank statement.
- D) Deposits are not always made within one week (depository is more than 10 miles away).
Exception: Deposits are not always made within one week.
Management's Response: Cash collections are so small on some days that making deposits within 10 days is prohibitive.
- E) We traced the actual deposit per the bank statement to the general ledger.

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

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

Observation: We obtained a list (the town hall) and management's representation that this list is complete.

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

Observation:

- A) The clerk/consultant prepares the check for purchase and the mayor approves the check by signing it.
- B) The clerk/consultant prepares the check for purchase and the mayor approves the check by signing it.
- C) Inquiry found that the employee responsible for processing payments is not prohibited from adding/modifying vendor files, but another employee is responsible for periodically reviewing changes to vendor files.
- D) The employee/official responsible for signing checks does not always mail the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Exception: The employee/official responsible for signing checks does not always mail the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Management's Response: The entity does not have enough employees to implement this procedure.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Observation: We obtained a listing of the disbursement transaction population and management's representation the list is complete and obtained documentation for 5 randomly selected disbursements and noted for each transaction that:

- A) The disbursement matched the related original invoice/billing statement.**
- B) The disbursement documentation did not always include evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.**

Exception: The disbursement documentation did not always include evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Management's Response: The entity does not have enough employees to implement this procedure.

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

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

Observation: We obtained a list of cards (one fuel card) and managements representation that the list is complete.

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

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Observe that finance charges and late fees were not assessed on the selected statements.

Observation:

A) We observed the February 2018 statement and the purchase was approved by a dual signature on the check.

B) There were no finance charges or late fees on the statement.

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

Observation: There was one transaction on the statement for fuel. Procedure is not applicable.

Travel and Travel-Related Expense Reimbursements

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

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

Observation: We obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. We randomly selected 5 reimbursements and obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation.

A) The per diem reimbursements were lower than those rates established by the State of Louisiana or the U.S. general Services Administration.

B) None of the reimbursements were for actual costs.

C) Each reimbursement is supported by documentation of the business/public purpose.

D) Each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

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

Observation: Management represented they initiated one contract (for construction) during the year. We observed the following:

- A) **The construction project was bid in accordance with the Louisiana Public Bid Law.**
- B) **The contract was approved by council.**
- C) **The contract was not amended.**
- D) **We randomly selected one payment and agreed it to the invoice and engineer's approval.**

Payroll and Personnel

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

Observation: We obtained a listing of all employees and management's representation that the list is complete.

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

Observation:

- A) **The town has 2 nonelected employees. We selected the March 9, 2018 payroll and observed attendance records.**
- B) **Supervisors approved the attendance of the selected employees.**
- C) **The Town does not accrue leave.**

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

Observation: Management represented there were no terminations during the year and that the Town does not accumulate leave.

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

Observation: Management represented that all payroll taxes and payroll related expenses have been paid and the associated forms filed by the required deadlines.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Observation:

- A) **Not all of the employees/officials completed the one-hour ethics training during the fiscal period.**

Exception: Not all of the employees/officials completed the one-hour ethics training during the fiscal period.

Management's Response: The employees/officials will complete the one-hour ethics training each fiscal period.

- B) **There was no documentation that demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.**

Exception: There was no documentation that demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Management's Response: Each employee/official will attest through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

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

Observation: Management represented they had no bonds/notes issued during the year.

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

Observation: Management represented they had no debt.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Observation: Management represented there were no misappropriations of public funds or assets during the fiscal period.

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

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

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

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

The Vercher Group

Jena, Louisiana

November 12, 2018