

**Town of Vivian
Vivian, Louisiana**

Financial Statement with Auditors' Report

As of and For the Year Ended June 30, 2019

Town of Vivian
Vivian, Louisiana
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Independent Auditors' Report

Honorable Mayor and Board of Aldermen
Town of Vivian, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Vivian, Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Vivian, Louisiana, as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 10, the budgetary comparison information on pages 48 - 50, the Schedule of Proportionate Share of Net Pension Liability on page 51, and the Schedule of Contributions on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Vivian's basic financial statements. The accompanying other supplementary information listed in the table of contents and shown on pages 53 – 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the Town of Vivian, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Vivian's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Vivian's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
December 18, 2019

TOWN OF VIVIAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Vivian's financial performance provides an overview of the Town of Vivian's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Town's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Town of Vivian's net position of our governmental activities decreased by \$140,965 or 2%. The Town of Vivian's net position of our business-type activities decreased by \$81,872 or 2%.
- In the Town's governmental activities, total general and program revenues were \$2,141,455 in 2019 compared to \$1,970,273 in 2018. Total expenses, excluding depreciation, totaled \$1,687,131 for the year ended June 30, 2019 compared to \$1,671,461 for 2018.
- In the Town's business-type activities, revenues decreased by \$46,755, while expenses decreased by \$20,395.
- In the Town's governmental activities, revenues increased by \$171,182, while expenses remained consistent with those from 2018.

USING THIS ANNUAL REPORT

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

Reporting the Town of Vivian, Louisiana as a Whole

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

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

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

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

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

Reporting the Town's Most Significant Funds

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

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

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

TOWN OF VIVIAN AS A WHOLE

The Town of Vivian's combined net position changed from a year ago, decreasing from \$12,247,439, to \$12,024,602. A comparative analysis of the funds maintained by the Town of Vivian is presented below.

**Table 1
Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 1,587,241	\$ 1,404,119	\$ 887,448	\$ 640,601	\$ 2,474,689	\$ 2,044,720
Capital Assets	7,792,667	8,375,848	6,586,413	6,652,123	14,379,080	15,027,971
Total Assets	<u>9,379,908</u>	<u>9,779,967</u>	<u>7,473,861</u>	<u>7,292,724</u>	<u>16,853,769</u>	<u>17,072,691</u>
Deferred Outflows of Resources	42,105	84,869	169,904	133,198	212,009	218,067
Current Liabilities	40,166	66,795	222,240	130,192	262,406	196,987
Long-term Liabilities	1,092,020	1,422,818	3,562,857	3,383,882	4,654,877	4,806,700
Total Liabilities	<u>1,132,186</u>	<u>1,489,613</u>	<u>3,785,097</u>	<u>3,514,074</u>	<u>4,917,283</u>	<u>5,003,687</u>
Deferred Inflows of Resources	86,228	30,659	37,665	8,973	123,893	39,632
Net Position:						
Net Investment in Capital Assets	6,907,197	7,314,114	3,282,882	3,553,192	10,190,079	10,867,306
Restricted	778,852	717,793	237,832	219,400	1,016,684	937,193
Unrestricted	517,550	312,657	300,289	130,283	817,839	442,940
Total Net Position	<u>\$ 8,203,599</u>	<u>\$ 8,344,564</u>	<u>\$ 3,821,003</u>	<u>\$ 3,902,875</u>	<u>\$ 12,024,602</u>	<u>\$ 12,247,439</u>

Net position of the Town of Vivian's governmental activities decreased by \$140,965 or 2%. Net position of the Town of Vivian's business-type activities decreased by \$81,872 or 2%.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 172,289	\$ 128,549	\$ 1,409,811	\$ 1,409,396	\$ 1,582,100	\$ 1,537,945
Capital grants and contributions	37,108	7,534		28,732	37,108	36,266
Operating grants and contributions	67,433	62,864	9,106	8,199	76,539	71,063
General revenues:						
Taxes	1,465,299	1,410,857	55,779	53,717	1,521,078	1,464,574
Licenses and permits	124,405	118,430			124,405	118,430
Franchise taxes	104,789	112,154			104,789	112,154
Oil and gas income	2,254	4,077			2,254	4,077
Investment earnings	14,259	1,783	2,385	2,528	16,644	4,311
Other	153,619	124,025	18,565	39,829	172,184	163,854
Total Revenues	<u>2,141,455</u>	<u>1,970,273</u>	<u>1,495,646</u>	<u>1,542,401</u>	<u>3,637,101</u>	<u>3,512,674</u>
Expenses:						
General government	594,643	477,468			594,643	477,468
Economic development	196,905	209,958			196,905	209,958
Public safety	800,924	833,342			800,924	833,342
Public works	519,788	548,289			519,788	548,289
Town services	48,236	57,373			48,236	57,373
Recreation	81,718	107,088			81,718	107,088
Interest on long-term debt	40,206	45,816			40,206	45,816
Utility			1,577,518	1,597,913	1,577,518	1,597,913
Total expenses	<u>2,282,420</u>	<u>2,279,334</u>	<u>1,577,518</u>	<u>1,597,913</u>	<u>3,859,938</u>	<u>3,877,247</u>
Increases (decreases) in net position	<u>\$ (140,965)</u>	<u>\$ (309,061)</u>	<u>\$ (81,872)</u>	<u>\$ (55,512)</u>	<u>\$ (222,837)</u>	<u>\$ (364,573)</u>

The Town of Vivian's total revenues increased by \$124,427 or 4%, due in part to increased revenues from property taxes and increased charges for services. The total cost of all programs and services decreased by \$17,309 or less than 1%. Our analysis below separately considers the operations of the governmental and business-type activities.

Governmental Activities

Total revenues for the governmental activities increased \$171,182 from total revenues in the year ended June 30, 2018 of \$1,970,273 to total revenues of \$2,141,455 in the year ended June 30, 2019. This increase was due to an increase in taxes and charges for services.

The cost of all governmental activities this year was \$2,282,420. These costs were covered by \$276,830 of program revenues, with the remaining costs covered by grants, property taxes, sales taxes, and other general revenues.

Business-type Activities

Total revenues for the business-type activities decreased \$46,755 from total revenues in year ended June 30, 2018 of \$1,542,401 to total revenues of \$1,495,646 in the year ended June 30, 2019. This decrease was due mainly to a decrease in capital grants.

The cost of all business-type activities this year was \$1,577,518. These costs were covered in part by program revenues of \$1,418,917, consisting of charges for services assessed to users and capital grants.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a *combined* fund balance of \$1,550,662, which is more than last year's fund balance of \$1,292,748.

General Fund Budgetary Highlights

The Town adopted a budget for its General Fund for the year ended June 30, 2019. There was one amendment to the budget during the year. The Town's budgetary comparison is presented as required supplementary information beginning on page 48. Highlights for the year are as follows:

- The Town's actual expenditures exceeded budgeted amounts by \$40,792.
- The Town's actual revenues exceeded budgeted amounts by \$317,643.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2019 and 2018, the Town of Vivian had invested \$14,379,080 and \$15,027,971, respectively in capital assets. (see table 3 below)

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

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,750,487	\$ 1,750,487	\$ 64,086	\$ 64,086	\$ 1,814,573	\$ 1,814,573
Construction in process	12,108		95,552	56,021	107,660	56,021
Buildings	1,055,743	1,117,727			1,055,743	1,117,727
Improvements	2,621,395	2,695,359			2,621,395	2,695,359
Infrastructure	2,193,515	2,481,473	6,426,775	6,532,016	8,620,290	9,013,489
Vehicles and equipment	159,419	330,802			159,419	330,802
Total assets (net)	<u>\$ 7,792,667</u>	<u>\$ 8,375,848</u>	<u>\$ 6,586,413</u>	<u>\$ 6,652,123</u>	<u>\$ 14,379,080</u>	<u>\$ 15,027,971</u>

This year's major additions include:

Construction in process	\$ 12,108	\$ 39,531
Vehicles and equipment		30,351
Water equipment		214,178
Total	<u>\$ 12,108</u>	<u>\$ 284,060</u>

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

DEBT

At year-end, the Town had \$4,647,646 in bonds, notes, and other debt outstanding, versus \$4,798,394 last year - a decrease of 3%.

**Table 4
Outstanding Debt At Year End**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Water & Sewer Revenue Bonds	\$	\$	\$ 2,873,851	\$ 2,930,869	\$ 2,873,851	\$ 2,930,869
Certificate of Indebtedness	885,469	1,061,733			885,469	1,061,733
Economic Development Award Program	67,849	128,889			67,849	128,889
Capital leases			382,240	168,062	382,240	168,062
Net Pension Liability	131,471	223,890	306,766	284,951	438,237	508,841
Totals	\$ 1,084,789	\$ 1,414,512	\$ 3,562,857	\$ 3,383,882	\$ 4,647,646	\$ 4,798,394

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

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

In accordance with GASB Statement No. 68, the Town is reporting a net pension liability of \$438,237 on the statement of net position at June 30, 2019. Additional information about the Town's net pension liability is presented in note 13 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town of Vivian's management considered many factors when setting the fiscal year June 30, 2020 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same. Expenditures for 2020 are expected to remain substantially the same.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Town of Vivian
Vivian, Louisiana
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,296,593	\$ 239,608	\$ 1,536,201
Investments	255,124	50,722	305,846
Receivables (net of allowance for uncollectibles)	134,941	178,132	313,073
Internal balances	(99,417)	99,417	
Restricted assets:			
Cash and cash equivalents		268,955	268,955
Investments		50,614	50,614
Capital assets not being depreciated	1,762,595	159,638	1,922,233
Depreciable capital assets, net	6,030,072	6,426,775	12,456,847
Total assets	<u>9,379,908</u>	<u>7,473,861</u>	<u>16,853,769</u>
Deferred Outflows of Resources			
Pension related	<u>42,105</u>	<u>169,904</u>	<u>212,009</u>
Liabilities			
Accounts payable and accrued expenses	40,166	140,503	180,669
Payable from restricted assets:			
Customer deposits		81,737	81,737
Non-current liabilities:			
Due within one year	203,001	111,684	314,685
Due in more than one year	889,019	3,451,173	4,340,192
Total liabilities	<u>1,132,186</u>	<u>3,785,097</u>	<u>4,917,283</u>
Deferred Inflows of Resources			
Pension related	<u>86,228</u>	<u>37,665</u>	<u>123,893</u>
Net Position			
Net investment in capital assets	6,907,197	3,282,882	10,190,079
Restricted for:			
Industrial development	755,585		755,585
Capital Improvements	23,267		23,267
Debt service		237,832	237,832
Unrestricted	517,550	300,289	817,839
Total net position	<u>\$ 8,203,599</u>	<u>\$ 3,821,003</u>	<u>\$ 12,024,602</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Activities
For the Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 594,643	\$	\$ 3,903	\$	\$ (590,740)	\$	\$ (590,740)
Economic development	196,905	64,245	61,040	12,108	(59,512)		(59,512)
Public safety	800,924	88,894	2,490		(709,540)		(709,540)
Public works	519,788				(519,788)		(519,788)
Town services	48,236	19,150			(29,086)		(29,086)
Recreation	81,718			25,000	(56,718)		(56,718)
Interest on long-term debt	40,206				(40,206)		(40,206)
Total governmental activities	2,282,420	172,289	67,433	37,108	(2,005,590)		(2,005,590)
Business-type Activities							
Utility	1,577,518	1,409,811	9,106			(158,601)	(158,601)
Total business-type activities	1,577,518	1,409,811	9,106			(158,601)	(158,601)
Total Government	\$ 3,859,938	\$ 1,582,100	\$ 76,539	\$ 37,108	(2,005,590)	(158,601)	(2,164,191)
General revenues:							
Taxes					1,465,299	55,779	1,521,078
Licenses and permits					124,405		124,405
Franchise taxes					104,789		104,789
Oil and gas income					2,254		2,254
Investment earnings					14,259	2,385	16,644
Insurance proceeds						17,435	17,435
Miscellaneous					153,619	1,130	154,749
Total general revenues					1,864,625	76,729	1,941,354
Change in net position					(140,965)	(81,872)	(222,837)
Net position - beginning					8,344,564	3,902,875	12,247,439
Net position - ending					\$ 8,203,599	\$ 3,821,003	\$ 12,024,602

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Balance Sheet
Governmental Funds
June 30, 2019

	General	Sales Tax	Vivian Industrial Development	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 335,323	\$ 217,594	\$ 743,676	\$ 1,296,593
Investments	255,124			255,124
Receivables	27,449	95,384	12,108	134,941
Due from other funds	330,711		76,511	407,222
Total assets	<u>\$ 948,607</u>	<u>\$ 312,978</u>	<u>\$ 832,295</u>	<u>\$ 2,093,880</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)				
Liabilities:				
Accounts payable and accrued expenses	\$ 27,718	\$	\$ 8,861	\$ 36,579
Due to other funds	133,838	372,801		506,639
Total liabilities	<u>161,556</u>	<u>372,801</u>	<u>8,861</u>	<u>543,218</u>
Fund Balances (Deficit):				
Restricted:				
Industrial development			823,434	823,434
Capital improvements	23,267			23,267
Unassigned	763,784	(59,823)		703,961
Total fund balances (deficit)	<u>787,051</u>	<u>(59,823)</u>	<u>823,434</u>	<u>1,550,662</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 948,607</u>	<u>\$ 312,978</u>	<u>\$ 832,295</u>	<u>\$ 2,093,880</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2019

Fund balances - total governmental funds	\$	1,550,662
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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.		7,792,667
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Other long-term assets and other amounts are not available to pay for current-period expenditures and therefore are unavailable in the funds.		
Deferred outflows of resources - pension related		42,105

Long-term liabilities and other amounts, including bonds, net pension liabilities and notes payable are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Interest	(3,587)	
Certificates of indebtedness	(885,469)	
EDAP	(67,849)	
Net pension liability	(131,471)	
Deferred inflows of resources - pension related	(86,228)	
Compensated absences	(7,231)	
		(1,181,835)

Net position of governmental activities	\$	8,203,599
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The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General	Sales Tax	Vivian Industrial Development	Total Governmental Funds
Revenues:				
Taxes	\$ 258,629	\$ 1,206,670	\$	\$ 1,465,299
Oil and gas income	2,254			2,254
Licenses and permits	124,405			124,405
Intergovernmental	27,490		12,108	39,598
Charges for services	83,395			83,395
Fines and forfeitures	88,894			88,894
Franchise taxes	104,789			104,789
Investment earnings	10,603	129	3,527	14,259
Miscellaneous	126,739		26,880	153,619
Total revenues	<u>827,198</u>	<u>1,206,799</u>	<u>42,515</u>	<u>2,076,512</u>
Expenditures:				
Current:				
General government	475,260	2,114		477,374
Public safety	754,184			754,184
Public works	219,938			219,938
Town services	48,236			48,236
Recreation	43,624			43,624
Economic development			46,724	46,724
Capital Outlay			12,108	12,108
Debt service:				
Principal retirement	176,265			176,265
Interest and other charges	40,145			40,145
Total expenditures	<u>1,757,652</u>	<u>2,114</u>	<u>58,832</u>	<u>1,818,598</u>
Excess (deficiency) of revenues over expenditures	<u>(930,454)</u>	<u>1,204,685</u>	<u>(16,317)</u>	<u>257,914</u>
Other financing sources (uses):				
Transfers in	1,097,617		121,958	1,219,575
Transfers out		(1,219,575)		(1,219,575)
Total other financing sources (uses)	<u>1,097,617</u>	<u>(1,219,575)</u>	<u>121,958</u>	
Net change in fund balances	167,163	(14,890)	105,641	257,914
Fund balances (deficit) at beginning of year, restated	<u>619,888</u>	<u>(44,933)</u>	<u>717,793</u>	<u>1,292,748</u>
Fund balances (deficit) at end of year	<u>\$ 787,051</u>	<u>\$ (59,823)</u>	<u>\$ 823,434</u>	<u>\$ 1,550,662</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 257,914

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

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.
This is the amount by which depreciation (\$595,289) exceeded
capital outlay (\$12,108) in the current period. (583,181)

The repayment of principal of long-term debt consumes current
financial resources of governmental funds. 176,265

Revenues that are not available to pay current obligations are not
reported in the fund financial statements.
Non-employer contributions to cost-sharing pension plan 3,903

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

Compensated absences	1,075	
Prepaid expenses	(48,162)	
Pension expense	(9,819)	(56,906)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the funds. 61,040

Change in net position of governmental activities \$ (140,965)

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Net Position
Proprietary Funds
June 30, 2019

	<u>Business-Type Activities- Enterprise Funds</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 239,608
Investments	50,722
Receivables (net of allowance for uncollectibles)	178,132
Due from other funds	119,417
Restricted cash and cash equivalents - customer deposits	48,770
Restricted investments - customer deposits	<u>32,967</u>
Total current assets	<u>669,616</u>
Noncurrent assets:	
Restricted cash and cash equivalents - debt service	220,185
Restricted investments - debt service	17,647
Capital assets:	
Land	64,086
Construction in process	95,552
Plant and equipment	13,261,411
Less accumulated depreciation	<u>(6,834,636)</u>
Total noncurrent assets	<u>6,824,245</u>
Total assets	<u>7,493,861</u>
Deferred outflows of resources	
Pension related	<u>169,904</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	140,503
Due to other funds	20,000
Capital lease	52,464
Water and Sewer revenue bonds	59,220
Payable from restricted assets:	
Customer deposits	<u>81,737</u>
Total current liabilities	<u>353,924</u>
Noncurrent liabilities:	
Capital lease	329,776
Water and Sewer revenue bonds	2,814,631
Net pension liability	<u>306,766</u>
Total noncurrent liabilities	<u>3,451,173</u>
Total liabilities	<u>3,805,097</u>
Deferred inflows of resources	
Pension related	<u>37,665</u>
Net position	
Net investment in capital assets	3,282,882
Restricted:	
Debt service	237,832
Unrestricted	<u>300,289</u>
Total net position	<u>\$ 3,821,003</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Business-Type Activities- Enterprise Funds</u>
Operating revenues:	
Water sales	\$ 795,010
Sewerage service charges	297,593
Garbage charges	250,499
Delinquent charges	66,709
Miscellaneous revenues	1,130
Total operating revenues	<u>1,410,941</u>
Operating expenses:	
General and administrative expenses	220,158
Water department expenses	386,558
Sewer department expenses	252,563
Garbage department expense	241,372
Depreciation expense	349,770
Total operating expenses	<u>1,450,421</u>
Operating income (loss)	<u>(39,480)</u>
Non-operating revenues (expenses):	
Ad valorem taxes	55,779
Operating grants and contributions	9,106
Insurance proceeds	17,435
Interest income	2,385
Interest expense	(127,097)
Total non-operating revenues	<u>(42,392)</u>
Change in net position	(81,872)
Net position - beginning of year	<u>3,902,875</u>
Net position - end of year	<u>\$ 3,821,003</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	<u>Business-Type Activities- Enterprise Funds</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,348,291
Cash payments to suppliers for goods and services	(608,659)
Cash payments to employees for services	(405,593)
Other receipts (payments)	67,839
Net Cash From Operating Activities	<u>401,878</u>
Cash Flows From Non-Capital Financing Activities	
Insurance proceeds	17,435
Advances to other funds	(49,338)
Ad valorem taxes	55,779
Net Cash from Non-capital Financing Activities	<u>23,876</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition/construction of capital assets	(23,531)
Principal paid on capital debt	(57,018)
Interest paid on capital debt	(127,097)
Net Cash (Used In) Capital and Related Financing Activities	<u>(207,646)</u>
Cash Flow From Investing Activities	
Purchase of investments	(1,904)
Interest income	2,385
Net Cash from Investing Activities	<u>481</u>
Net Increase in Cash and Cash Equivalents	218,589
Cash, Beginning of year	<u>289,974</u>
Cash, End of year	<u>\$ 508,563</u>
Cash and cash equivalents are reflected on the statement of net position as follows:	
Cash and cash equivalents	\$ 239,608
Restricted cash and cash equivalents - customer deposits	48,770
Restricted cash and cash equivalents - debt service	220,185
	<u>\$ 508,563</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (39,480)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities	
Depreciation expense	349,770
Accounts receivable	1,085
Prepaid expense	21,899
Accounts payable and accrued expenses	41,593
Pension related	22,907
Customer deposits	4,104
Net Cash Flows From Operating Activities	<u>\$ 401,878</u>
Noncash Capital Financing Activities:	
Acquisition of property	
Acquisition/construction of capital assets	\$ 284,060
Vendor payable	(46,351)
Capital lease proceeds	(214,178)
Cash used to acquire/construct capital assets	<u>\$ 23,531</u>

The accompanying notes are an integral part of this statement.

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019

INTRODUCTION

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

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019
(Continued)

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

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

B. Basic Financial Statements – Government-Wide Statements

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

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

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

Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019
(Continued)

C. Basic Financial Statements – Fund Financial Statements

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

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

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

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

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

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

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

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019
(Continued)

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

D. Basis of Accounting

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

1. Accrual:

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

2. Modified Accrual:

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

E. Budget and Budgetary Accounting

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

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

(Continued)

Town of Vivian
 Vivian, Louisiana
 Notes to Financial Statements
 June 30, 2019
 (Continued)

6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen. There was one amendment to the budget for the year ended June 30, 2019.

F. Cash, Cash Equivalents, and Investments

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

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

G. Capital Assets

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

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

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

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

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019
(Continued)

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

H. Revenues

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

I. Net Position

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

J. Fund Balance

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

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019
(Continued)

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

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

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

K. Sales Taxes

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

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

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

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019
(Continued)

L. Compensated Absences

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

M. Interfund Activity

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

N. Use of Estimates

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

O. Long-Term Obligations

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

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

P. Bad Debts

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

Q. Capitalized Interest

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019
(Continued)

R. Statement of Cash Flows

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

S. Prepaid Items

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

T. Deferred Outflows/Inflows of Resources

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

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

U. Pension Plan

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

V. Fair Value Measurements

Generally accepted accounting principles require disclosure to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs – The valuation is based on quoted market prices for identical assets or liabilities traded in active markets;

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019
(Continued)

Level 2 inputs – The valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability;

Level 3 inputs – The valuation is determined by using the best information available under the circumstances and might include the government's own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on lowest level of any input that is significant to the fair value measurement.

(2) Levied Taxes

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

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

	Authorized <u>Millage</u>	Levied <u>Millage</u>	Expiration <u>Date</u>
General	14.59	14.59	N/A
Streets	2.79	2.79	2027
Sewer Maintenance	2.79	2.79	2027
Water Maintenance	1.40	1.40	2027

Approximately 38% of the Town's ad valorem taxes are derived from 10 taxpayers.

(3) Cash, Cash Equivalents, and Investments

At June 30, 2019, the Town has cash, cash equivalents, and investments (book balances), totaling \$2,161,616, as detailed below.

A. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2019 (book balances) totaled \$1,805,156 of which \$268,955 is shown as a restricted asset. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

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B. Investments

The investments are presented in the financial statements at fair value using level 2 fair value measure. Investments at June 30, 2019, consisted of certificates of deposit totaling \$356,460, of which 50,614 is shown as restricted, with maturities greater than 90 days. The certificates of deposit are carried at cost, which approximates market.

C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2019, \$1,374,350 of the Town's bank balances totaling \$2,182,421 were exposed to custodial credit risk as follows:

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

	2019
Cash and cash equivalents	\$ 588,040
Investments	786,310
	\$ 1,374,350

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

(4) Restricted Assets

Restricted assets were applicable to the following at June 30, 2019:

	Business-Type Activities
Customer Deposits	\$ 81,737
Debt service	237,832
Total	\$ 319,569

(5) Risk Management

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

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Notes to Financial Statements
June 30, 2019
(Continued)

(6) Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance at 7/1/2018	Additions	Deletions	Balance at 6/30/2019
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Construction in progress	\$	\$ 12,108	\$	\$ 12,108
Land	1,750,487			1,750,487
Total capital assets, not being depreciated	1,750,487	12,108		1,762,595
Capital assets, being depreciated:				
Buildings	2,202,000			2,202,000
Improvements	3,608,874			3,608,874
Infrastructure	4,065,863			4,065,863
Vehicles and equipment	1,713,891		(103)	1,713,788
Total capital assets, being depreciated	11,590,628		(103)	11,590,525
Less accumulated depreciation:				
Buildings	(1,084,273)	(61,984)		(1,146,257)
Improvements	(913,515)	(73,964)		(987,479)
Infrastructure	(1,584,390)	(287,958)		(1,872,348)
Vehicles and equipment	(1,383,089)	(171,383)	103	(1,554,369)
Total accumulated depreciation	(4,965,267)	(595,289)	103	(5,560,453)
Total capital assets, being depreciated, net	6,625,361	(595,289)		6,030,072
Governmental activities capital assets, net	\$8,375,848	\$ (583,181)	\$	\$ 7,792,667

Depreciation expense was charged to Governmental Activities as follows:

General government	\$ 97,358
Economic development	149,186
Public safety	21,866
Public works	289,273
Recreation	37,606
	<u>\$ 595,289</u>

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Notes to Financial Statements
June 30, 2019
(Continued)

	<u>Balance at</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>6/30/2019</u>
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated:				
Construction in progress	\$ 56,021	\$ 39,531	\$	\$ 95,552
Land	64,086			64,086
Total capital assets, not being depreciated	<u>120,107</u>	<u>39,531</u>		<u>159,638</u>
Capital assets, being depreciated:				
Administration	104,463	30,351	(11,456)	123,358
Water equipment	7,519,063	214,178		7,733,241
Sewer equipment	5,404,812			5,404,812
Total capital assets, being depreciated	<u>13,028,338</u>	<u>244,529</u>	<u>(11,456)</u>	<u>13,261,411</u>
Less accumulated depreciation:				
Administration	(100,997)	(10,317)	11,456	(99,858)
Water equipment	(3,742,832)	(243,496)		(3,986,328)
Sewer equipment	(2,652,493)	(95,957)		(2,748,450)
Total accumulated depreciation	<u>(6,496,322)</u>	<u>(349,770)</u>	<u>11,456</u>	<u>(6,834,636)</u>
Total capital assets, being depreciated, net	<u>6,532,016</u>	<u>(105,241)</u>		<u>6,426,775</u>
Business-type activities capital assets, net	<u>\$6,652,123</u>	<u>\$ (65,710)</u>	<u>\$</u>	<u>\$6,586,413</u>

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

Water	\$ 253,813
Sewer	95,957
	<u>\$ 349,770</u>

(Continued)

Town of Vivian
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Notes to Financial Statements
June 30, 2019
(Continued)

(7) Receivables

The following is a summary of receivables at June 30, 2019:

Class of Receivable	2019
Governmental activities –	
Taxes	\$ 104,103
Intergovernmental	12,108
Miscellaneous	853
Sales taxes	95,384
Franchise taxes	23,129
Allowance for uncollectibles	<u>(100,636)</u>
	134,941
Business-type activities –	
Accounts receivable – water and sewer charges	\$ 175,802
Miscellaneous	17,436
Allowance for uncollectibles	<u>(15,106)</u>
	178,132
Total	\$ 313,073

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2019, consisted of the following:

Class of Payable	Governmental Funds/Activities	Business-type Activities	Total
Accounts	\$ 16,030	\$ 101,016	\$ 117,046
Salaries and payroll taxes	11,299	2,349	13,648
Miscellaneous	7,412	22,911	30,323
Compensated absences	<u>1,838</u>	<u>14,227</u>	<u>16,065</u>
Total governmental funds	36,579	140,503	177,082
Accrued interest	<u>3,587</u>		<u>3,587</u>
Total governmental activities	\$ 40,166	\$ 140,503	\$ 180,669

(9) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$81,737 at June 30, 2019.

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Town of Vivian
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Notes to Financial Statements
June 30, 2019
(Continued)

(10) Interfund Transfers

Interfund transfers for the year ended June 30, 2019 consisted of the following:

	Transfer To	Transfer From
Governmental Funds:		
General	\$ 1,097,617	\$
Sales tax		1,219,575
Vivian industrial development	121,958	
Total Governmental Funds	\$ 1,219,575	\$ 1,219,575

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

(11) Interfund Balances

Interfund balances at June 30, 2019 consisted of the following:

	Due From Other Fund	Due To Other Fund	Net
Governmental Funds:			
General	\$ 330,711	\$ 133,838	\$ 196,873
Sales tax		372,801	(372,801)
Vivian Industrial Development	76,511		76,511
Total Governmental Funds	407,222	506,639	(99,417)
Enterprise Funds	119,417	20,000	99,417
Total	\$ 526,639	\$ 526,639	\$

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

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Town of Vivian
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Notes to Financial Statements
June 30, 2019
(Continued)

(12) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Certificates of Indebtedness	\$ 1,061,733	\$	\$ (176,264)	\$ 885,469	\$ 183,331
Economic Development Award Program (EDAP)	128,889		(61,040)	67,849	12,439
Other long-term liabilities - Net pension liability	223,890		(92,419)	131,471	
Compensated absences	<u>9,636</u>		<u>(567)</u>	<u>9,069</u>	<u>9,069</u>
 Total - Governmental Activities long-term liabilities	 <u>\$ 1,424,148</u>	 <u>\$</u>	 <u>\$ (330,290)</u>	 1,093,858	 204,839
 Less amounts due within period of availability				 <u>(1,838)</u>	 <u>(1,838)</u>
 Total long-term liabilities, government-wide statements				 <u>\$ 1,092,020</u>	 <u>\$ 203,001</u>

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

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Notes to Financial Statements
June 30, 2019
(Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-type Activities:					
Water and Sewer Revenue Bonds	\$ 2,930,869	\$	\$ (57,018)	\$ 2,873,851	\$ 59,220
Other long-term liabilities -					
Capital lease	168,062	214,178		382,240	52,464
Net pension liability	284,951	21,815		306,766	
Compensated absences	<u>7,594</u>	<u>6,633</u>		<u>14,227</u>	<u>14,227</u>
Total - Business-type Activities long-term liabilities	<u>\$ 3,391,476</u>	<u>\$ 242,626</u>	<u>\$ (57,018)</u>	3,577,084	125,911
Less amounts due within period of availability				<u>(14,227)</u>	<u>(14,227)</u>
Total long-term liabilities, government-wide statements				<u>\$ 3,562,857</u>	<u>\$ 111,684</u>

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

Certificate of Indebtedness

\$2,000,000 dated 11/30/11. Due in quarterly installments of \$ 54,117.48 through December 2023; interest at 4.49% \$ 885,469

Water and Sewer Revenue Bonds –

\$3,440,000 dated 04/22/09. Due in monthly installments of \$15,343 through April 2049; interest at 4.38%. Payable from income and revenues derived from the waterworks and sewer system. \$ 2,873,851

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Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019
(Continued)

The annual requirements to amortize all debt outstanding at June 30, 2019 were as follows:

Governmental Activities – Certificate of Indebtedness

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 183,331	\$ 33,139
2021	190,869	25,600
2022	198,718	17,752
2023	206,889	9,581
2024	105,662	1,627
	<u>\$ 885,469</u>	<u>\$ 87,699</u>

Business-type Activities – Water and Sewer Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 59,220	\$ 124,896
2021	62,207	121,909
2022	64,984	119,132
2023	67,885	116,231
2024	70,603	113,513
2025 – 2029	404,617	515,963
2030 – 2034	503,390	417,190
2035 – 2039	626,280	294,300
2040 – 2044	779,140	141,341
2045 – 2049	235,525	7,257
	<u>\$ 2,873,851</u>	<u>\$ 1,971,732</u>

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Town of Vivian
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Notes to Financial Statements
June 30, 2019
(Continued)

Business-type Activities – Capital Lease

The Town entered into a Louisiana Municipal Lease-Purchase Agreement for financing automated meter reading system and certain wastewater treatment plant upgrades. The gross amount of assets recorded under this capital lease was \$792,656, which includes \$214,178, that was added December 20, 2018. The related accumulated depreciation was \$257,289, and the net book value was \$535,367. The lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of their future minimum lease payments as of the inception date. The lease was dated May 8, 2006, for \$620,000, and is due in annual installments of \$59,519 through July 10, 2021. The lease was renewed in December 2018 to refinance certain equipment and to purchase new equipment. Total amount financed was \$214,178, with annual payments of \$63,391 through August 2025. The maturities below reflect the refinanced amount.

The future minimum lease obligation and net present value of the minimum lease payments as of June 30, 2019, was as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 52,464	\$ 10,927
2021	49,425	13,996
2022	51,518	11,873
2023	53,700	9,691
2024	55,974	7,417
2025	119,159	7,622
	<u>\$ 382,240</u>	<u>\$ 61,526</u>

Governmental Activities – Economic Development Award Program

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

On April 29, 2019, the Town renegotiated terms of the loan. Under the new terms, EDAP agreed to forgive \$61,040 of the outstanding balance. This amount is reflected in capital grants and contributions on the Statement of Activities. The maturities under the new agreement are reflected below.

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Notes to Financial Statements
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(Continued)

The annual requirements to amortize the debt outstanding at June 30, 2019 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 12,439	\$ 2,505
2021	13,005	2,338
2022	14,135	1,789
2023	14,135	1,193
2024	14,135	596
	<u>\$ 67,849</u>	<u>\$ 8,421</u>

(13) Pension Plans

Employees of the Town are members of the Municipal Employees Retirement System. The following is a description of the plan and benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

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

Plan Description

Eligibility Requirements:

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

Retirement Benefits:

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

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

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Town of Vivian
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Notes to Financial Statements
June 30, 2019
(Continued)

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

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

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

Survivor Benefits:

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

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible to retire may elect to participate in the deferred retirement option plan(DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

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

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Town of Vivian
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Notes to Financial Statements
June 30, 2019
(Continued)

Cost of Living Increases:

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

Deferred Benefits:

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

Contributions

Contributions for all members are established by statute. Member contributions are at 5% of earnable compensation for Plan B. According to state statute, contribution requirements for all employers are actuarially determined each year. For the plan years ending June 30, 2019 and 2018, the actual employer contribution rates were 14.00% and 13.25%, respectively, for Plan B. The Town's contributions to the System for the years ended June 30, 2019, 2018, and 2017, were \$46,668, \$50,650, and \$48,832, respectively.

Non-Employer Contributions

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions totaling \$13,009 are recognized as revenue during the year ended June 30, 2019, and excluded from pension expense.

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

At June 30, 2019, the Town reported a liability of \$438,237 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the fiscal year ended June 30, 2018 as compared to the total of all employers' contributions received by the System during the fiscal year ended June 30, 2018. The Town's proportion as measured at June 30, 2018, was 5181140%, which was a decrease of .06998% from its proportion measured as of June 30, 2017.

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(Continued)

For the year ended June 30, 2019, the Town recognized pension expense of \$79,915, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$(523).

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 5,921	\$ 13,817
Changes in proportion and differences between employer contributions and proportionate share of contributions	80,307	23,848
Total	\$ 86,228	\$ 37,665

	Deferred Outflows of Resources	
	Governmental Activities	Business-type Activities
Changes of assumptions	\$ 4,920	\$ 11,479
Differences between expected and actual experience	352	822
Net difference between projected and actual earnings on pension plan investments	21,368	49,860
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,465	75,075
Employer contributions subsequent to the measurement Date	14,000	32,668
Total	\$ 42,105	\$ 169,904

The Town reported a total of \$46,668 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018, which will be recognized as a reduction in net pension liability in the year ended June 30, 2020.

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

Year	Amount
2020	\$ 27,426
2021	3,778
2022	6,459
2023	3,785
Total	\$ 41,448

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 Notes to Financial Statements
 June 30, 2019
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Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.275%
Inflation Rate	2.6%
Projected Salary Increases	5.0%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sec Distinct Mortality Tables set forward 2 years for males and 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disables lives mortality	For disable Annuitants, RP-2000 Disabled Lives Mortality Tables set back 5 years for males and 3 years for females.
Expected Remaining Service Lives	4 years

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

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019
(Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018 are summarized in the following table:

	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.2%
Public fixed income	35%	1.5%
Alternatives	15%	6%
Totals	<u>100%</u>	<u>4.3%</u>
Inflation		2.7%
Expected Arithmetic Nominal Return		7.0%

The discount rate used to measure the total pension liability was 7.275%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.275%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2018:

	<u>Changes in Discount Rate</u>		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	6.275%	7.275%	8.275%
Net Pension Liability	\$ 575,133	\$ 438,237	\$ 321,864

Changes in Net Pension Liability

The changes in the net pension liability for the year ended June 30, 2019 were recognized in the current reporting period except as follows:

Differences between Expected and Actual Experience:

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

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019
(Continued)

Differences between Projected and Actual Investment Earnings:

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

Changes of Assumptions:

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

Changes in Proportion:

Changes in the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in proportion are presented in the Schedule of Pension Amounts as deferred outflows or deferred inflows as of June 30, 2019.

Contributions – Proportionate Share

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

Pension Plan Fiduciary Net Position

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

Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2018. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.la.la.gov.

(Continued)

Town of Vivian
 Vivian, Louisiana
 Notes to Financial Statements
 June 30, 2019
 (Continued)

(14) Tax Abatement

As of June 30, 2019, the Town has entered into property tax abatement agreement with a business through the Industrial Tax Exemption (ITEP) program. The agreement was negotiated under a particular authority allowing localities to abate property taxes for a variety of economic development purposes, including job creation, as well as business relocation, retention, and expansion.

The Town has not made any commitments as part of the agreements other than to reduce taxes, and the Town is not subject to any tax abatement agreements entered into by other governmental entities.

Industrial Tax Exemption (ITEP):

The Louisiana Industrial Ad Valorem Tax Exemption Program (ITEP) is an original state incentive program which offers an attractive tax incentive for manufacturers within the state. The program abates, up to ten years, Town property taxes (Ad Valorem) on a manufacturer's new investment and annual capitalized additions related to the manufacturing site. The legal authority is Article 7, Section 21(F) of the Louisiana Constitution and Executive Order JBE 2016-73.

Gross Dollar Amount by Which the Town's Tax Revenues Were Reduced: The Town estimates property tax revenues have been reduced by \$8,905 for the year.

(15) Lease Revenue

The Town entered into a leasing agreement to lease a building owned by the Town. Under the lease the Town will receive a monthly amount ranging from \$4,000 to \$6,000 per month, beginning on April 1, 2015 and ending on March 31, 2025. The lease agreement contains a continuing option to purchase the property through March, 2025, for the purchase price of \$600,000. Monthly lease payments made through the date the option to purchase is exercised shall be applied to the purchase price. Payments received under this lease for the year ended June 30, 2019, totaled \$60,000. Future minimum lease payments to be received by the Town are as follows:

<u>Fiscal Year</u>	
2020	\$ 60,000
2021	60,000
2022	60,000
2023	60,000
2024	66,000
2025	<u>54,000</u>
	<u>\$ 360,000</u>

(16) Subsequent Events

Subsequent events have been evaluated through December 18, 2019, the date the financial statements were available to be issued.

(Continued)

Town of Vivian
Vivian, Louisiana
Notes to Financial Statements
June 30, 2019
(Continued)

(17) Contingencies

The Town is a defendant in several lawsuits. At this time, the outcome of the lawsuits is unknown. Management believes that the ultimate resolution of the lawsuits will not have a significant effect on the Town's financial position or results of operations.

(18) Commitments

The Town has commitments for signed engineering and other contracts of approximately \$177,457. As of June 30, 2019, approximately \$51,639 had been incurred on those contracts, with the balance remaining in those contracts to be incurred subsequent to June 30, 2019.

Town of Vivian
Vivian, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 271,500	\$ 122,800	\$ 258,629	\$ 135,829
Fines and forfeitures	60,000	61,000	88,894	27,894
Licenses and permits	115,600	61,355	124,405	63,050
Franchise taxes	75,000	98,000	104,789	6,789
Oil and gas income	3,000	2,000	2,254	254
Intergovernmental	5,900		27,490	27,490
Charges for services	17,000	21,750	83,395	61,645
Investment earnings	750	5,000	10,603	5,603
Miscellaneous	66,292	137,650	126,739	(10,911)
Total revenues	615,042	509,555	827,198	317,643
Expenditures:				
Current:				
General government	257,320	406,516	475,260	(68,744)
Public safety	595,400	752,336	754,184	(1,848)
Public works	268,300	277,032	219,938	57,094
Town services	22,500	19,690	48,236	(28,546)
Recreation	58,800	44,817	43,624	1,193
Capital outlay	200,000			
Debt service:				
Principal retirement	176,090	163,634	176,265	(12,631)
Interest and other charges	40,380	52,835	40,145	12,690
Total expenditures	1,618,790	1,716,860	1,757,652	(40,792)
Excess (deficiency) of revenues over expenditures	(1,003,748)	(1,207,305)	(930,454)	276,851
Other financing sources (uses):				
Transfers in	850,000	923,000	1,097,617	174,617
Total other financing sources (uses)	850,000	923,000	1,097,617	174,617
Net change in fund balance	(153,748)	(284,305)	167,163	451,468
Fund balances at beginning of year	416,580	416,580	619,888	203,308
Fund balances at end of year	\$ 262,832	\$ 132,275	\$ 787,051	\$ 654,776

Town of Vivian
Vivian, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
Sales Tax Fund
For the Year Ended June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Sales tax	\$ 958,000	\$ 958,000	\$ 1,206,670	\$ 248,670
Investment earnings	30	30	129	99
Total revenues	<u>958,030</u>	<u>958,030</u>	<u>1,206,799</u>	<u>248,769</u>
Expenditures:				
Current:				
General government	13,000	13,000	2,114	10,886
Total expenditures	<u>13,000</u>	<u>13,000</u>	<u>2,114</u>	<u>10,886</u>
Excess (deficiency) of revenues over expenditures	<u>945,030</u>	<u>945,030</u>	<u>1,204,685</u>	<u>259,655</u>
Other financing sources (uses):				
Transfers out	(945,000)	(945,000)	(1,219,575)	(274,575)
Total other financing sources (uses)	<u>(945,000)</u>	<u>(945,000)</u>	<u>(1,219,575)</u>	<u>(274,575)</u>
Net change in fund balance	30	30	(14,890)	(14,920)
Fund balance (deficit) at beginning of year	<u>50</u>	<u>50</u>	<u>(44,933)</u>	<u>(44,983)</u>
Fund balance (deficit) at end of year	<u>\$ 80</u>	<u>\$ 80</u>	<u>\$ (59,823)</u>	<u>\$ (59,903)</u>

Town of Vivian
Vivian, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
Vivian Industrial Development Fund
For the Year Ended June 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Miscellaneous income	\$ 58,000	\$ 55,000	\$ 26,880	\$ (28,120)
Intergovernmental			12,108	12,108
Investment earnings	950		3,527	3,527
Total revenues	<u>58,950</u>	<u>55,000</u>	<u>42,515</u>	<u>(12,485)</u>
Expenditures:				
Current:				
Economic development	52,545	48,200	46,724	1,476
Capital outlay	70,000		12,108	(12,108)
Total expenditures	<u>122,545</u>	<u>48,200</u>	<u>58,832</u>	<u>(10,632)</u>
Excess (deficiency) of revenues over expenditures	<u>(63,595)</u>	<u>6,800</u>	<u>(16,317)</u>	<u>(23,117)</u>
Other financing sources (uses):				
Transfers in	95,000	115,000	121,958	6,958
Total other financing sources (uses)	<u>95,000</u>	<u>115,000</u>	<u>121,958</u>	<u>6,958</u>
Net change in funds balance	31,405	121,800	105,641	(16,159)
Fund balance at beginning of year	<u>657,129</u>	<u>657,129</u>	<u>717,793</u>	<u>60,664</u>
Fund balance at end of year	<u>\$ 688,534</u>	<u>\$ 778,929</u>	<u>\$ 823,434</u>	<u>\$ 44,505</u>

Town of Vivian
Vivian, Louisiana
Schedule of Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2019

Municipal Employees Retirement System of Louisiana

Year Ended June 30	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.51811%	\$ 438,237	\$ 382,299	114.63%	65.60%
2018	0.58810%	508,841	443,927	114.62%	63.49%
2017	0.59935%	496,807	427,035	116.34%	63.34%
2016	0.56287%	382,555	394,684	96.93%	68.71%
2015	0.56137%	263,563	406,713	64.80%	76.94%

*Amounts presented were determined as of the measurement date (fiscal year ended June 30).

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

Town of Vivian
Vivian, Louisiana
Schedule of Contributions
For the Year Ended June 30, 2019

Municipal Employees Retirement System of Louisiana

Year Ended June 30	Contractually Required Contribution	Contributions in relation to the contractually required contribution	Contribution Deficiency (Excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2019	\$ 46,668	\$ 46,668	\$	\$ 333,161	14.01%
2018	50,650	50,650		382,299	13.25%
2017	48,832	48,832		443,927	11.00%
2016	40,568	40,568		427,035	9.50%
2015	37,495	37,495		394,684	9.50%

*Amounts presented were determined as of the end of the fiscal year (June 30).

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

Town of Vivian
Vivian, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended June 30, 2019

Mayor - Mike VanSchoick (7/1/18 - 12/31/18)	\$	13,300
Mayor - James Festavan (1/1/19 - 6/30/19)		13,300
Alderman:		
Raymond Williams		3,300
Angela Channel		3,300
Denise Alexander		3,300
Mandi Burton		1,650
Michael Guthrie		1,650
James Martin		1,650
Judy Wilson		1,650
		<hr/>
	\$	<u>43,100</u>

Town of Vivian
 Vivian, Louisiana
 Schedule of Rates - User Fees
 For the Year Ended June 30, 2019

	Usage	Base	Per Additional 1,000 Gallons
WATER	Residential Inside:	0 - 2,000 Gallons	N/A
		over 2,000	\$6.50
	Residential Outside:	0 - 2,000 Gallons	N/A
	over 2,000	\$29.00	\$6.75
	Commercial Inside and Outside:	0 - 2,000 Gallons	N/A
	over 2,000	\$23.00	\$6.75
SEWER	Residential:	0 - 2,000 Gallons	N/A
		over 2,000	\$2.75
	Commercial:	0 - 2,000 Gallons	N/A
	over 2,000	\$16.00	\$2.75
	Out of Town:	0 - 2,000 Gallons	N/A
	over 2,000	\$21.00	\$2.75

System Users

System users at June 30, 2019 was as follows:

	Number of Customers
Water customers	1,411

Town of Vivian
Vivian, Louisiana
Schedule of Insurance
June 30, 2019

Company	Type Insurance	Policy Period	Coverage Limits
Stonetrust Insurance Company	Workers Comp	7/01/2018 to 7/01/2019	\$ 100,000 each accident 500,000 policy limit 100,000 each employee
Old Republic Insurance Company	Airport Liability	1/12/2018 to 1/12/2019 1/13/2019 to 1/13/2020	1,000,000 each occurrence
Nova Casualty	Law Enforcement Officer	7/01/2018 to 7/01/2019	1,000,000 per occurrence
	Errors and Omissions	7/01/2018 to 7/01/2019	1,000,000 per claim
	Employment Practices	7/01/2018 to 7/01/2019	1,000,000 per claim
Nova Casualty	Auto Liability and Physical Damage	7/01/2018 to 7/01/2019	1,000,000 per accident
EMC Insurance Company	Property/Inland Marine	2/16/2018 to 2/16/2019 2/16/2019 to 2/16/2020	8,849,595
EMC Insurance Company	Commercial Crime and Employee Dishonesty Policy	10/02/2017 to 10/02/2018 10/02/2018 to 10/02/2019	250,000 250,000
EMC Insurance Company	Mayor Public Official Bond	1/01/2015 to 12/31/2018	25,000
EMC Insurance Company	Mayor Pro-Tem Public Official Bond	1/01/2015 to 12/31/2018	25,000
EMC Insurance Company	Municipal Clerk Public Official Bond	8/13/2018 to 8/13/2019	25,000
Western Surety Company	Mayor Public Official Bond	1/1/2019 to 1/01/2021	25,000
	Mayor Pro-Tem Public Official Bond	1/1/2019 to 1/01/2021	25,000
	Municipal Clerk Public Official Bond	1/1/2019 to 1/01/2021	25,000
	Municipal Deputy Clerk Public Official Bond	1/1/2019 to 1/01/2021	25,000
Nova Casualty	Commercial General Liability	7/01/2018 to 7/01/2019	500,000 per occurrence

Town of Vivian
 Vivian, Louisiana
 Other Supplementary Information
 Schedule of Compensation, Benefits and Other Payments to Agency Head
 For the Year Ended June 30, 2019

Agency Head: Michael VanSchoick, Mayor (7/1/18 - 12/31/18)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 13,300
Benefits-retirement	665

Agency Head: Ronnie Festavan, Mayor (1/1/2019 - 6/30/2019)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 13,300
Benefits-retirement	554
Reimbursements	191
Travel	349

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Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

STUART L. REEKS, CPA
J. PRESTON DELAUNE, CPA

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

Honorable Mayor and Board of Aldermen
Town of Vivian
Vivian, Louisiana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Vivian as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Vivian's basic financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Summary Schedule of Current Year Audit Findings as items 2019-001 and 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Summary Schedule of Current Year Audit Findings as items 2019-003 and 2019-004 to be significant deficiencies.

Compliance and Other Matters

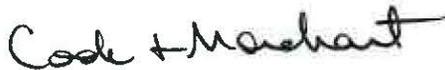
As part of obtaining reasonable assurance about whether Town of Vivian's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Summary Schedule of Current Year Audit Findings as items 2019-005 and 2019-006.

Town of Vivian's Response to Findings

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

Purpose of this Report

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



Cook & Morehart
Certified Public Accountants
December 18, 2019

Town of Vivian
Vivian, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2019

There were ten findings for the prior year audit for the year ended June 30, 2018.

2018-001 Significant Deficiency - Payroll

Condition: Time sheets / time cards were not approved on all employees by the employees' supervisors before payroll was prepared. In addition, clock in and clock out times were not consistently documented on time cards. Furthermore, vacation and sick time noted on time cards was not always in agreement with hours that were paid, as indicated on the payroll registers.

Recommendation: We recommend supervisory approval of all time sheets / time cards on all employees prior to payroll being prepared. We also recommend a supervisory review of payroll registers to ensure amounts entered are in agreement with time sheets / time cards.

Current Status: Improvement noted. No significant deficiency reported in current year audit.

2018-002 Material Weakness – Collections

Condition: During our audit, we noted the following with regards to the Town's collection process:

- No evidence of review of daily work for collections by an appropriate town employee who was not involved in the collection process.
- For several months during the year, deposits were not made by the individuals accepting payments. All funds were given to the Town Clerk for deposit.
- Daily deposits were not being made.
- No reconciliation of daily work to subsidiary ledgers/reports.
- Customer meter deposits received were not being entered into subsidiary ledger timely as received. In addition, customer meter deposit liability per general ledger was not in agreement with customer meter deposit subsidiary report.
- Annual ad valorem tax roll was not entered into subsidiary software when billed. There was no reconciliation of ad valorem receipts to subsidiary ledger.
- No review of adjustments entered into subsidiary ledger to ensure all adjustments had proper approval.

Recommendation: We recommend appropriate town personnel review and approve daily work, subsidiary records, and adjustments. We also recommend that deposits be prepared by those accepting payments, be made daily, and be appropriately entered into subsidiary software when received.

Current Status: See repeat finding in current year audit.

(Continued)

Town of Vivian
Vivian, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2019
(Continued)

2018-003 Material Weakness – Accounting Records

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

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

Current Status: See repeat finding in current year audit.

2018-004 Significant Deficiency – Police Department Collections

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

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

Current Status: See repeat finding in current year audit.

2018-005 Finding – Questioned Costs

Finding: During our testing, we noted several transactions totaling \$23,371, for which no vendor invoices could be located by town personnel. Details are as follows:

- One disbursement for aviation fuel totaling \$ 4,503.
- One disbursement for heating- air conditioning unit totaling \$12,500.
- Two charges on Town credit cards to purchase pre-paid Visa cards totaling \$527.
- Forty (40) miscellaneous charges on Town credit cards/charge accounts totaling \$5,841.

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

Current Status: No finding in current year audit.

(Continued)

Town of Vivian
Vivian, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2019
(Continued)

2018-006 Material Weakness – Payroll Taxes

Condition: Several federal payroll tax deposits do not appear to have been made by the required due dates during the year, and payroll tax reports do not appear to have been filed timely during the year. In addition, payroll liabilities were not properly recorded and tracked in the Town's general ledgers. Amounts recorded in the general ledgers were not reconciled to subsequent payments.

Recommendation: We recommend the Town develop appropriate controls to ensure all payroll tax deposits are made by the required due dates, that all payroll tax reports are filed timely, and that the Town's general ledgers are properly posted with regards to payroll taxes.

Current Status: See finding in current year audit.

2018-007 Finding – Late Submission of Audit

Finding: The audit for the year ended June 30, 2018, was not submitted timely in accordance with state law.

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

Current Status: Audit for the year ended June 30, 2109, was submitted timely in accordance with state law.

2018-008 Finding - Budget

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

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

Current Status: See finding in current year audit.

(Continued)

Town of Vivian
Vivian, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2019
(Continued)

2018-009 Significant Deficiency - Travel

Condition: During our audit, we noted three travel payments for which there was inadequate supporting documentation. The business purpose of the trips was not noted. In addition, per diem was paid, although the Town's policies are not specific with regards to the allowability of per diem payments for travel.

Recommendation: We recommend that all travel payments be properly approved and documented, including documentation of the business purpose of such travel. We further recommend that the Town clarify their policies with regards to payment of per diem for travel.

Current Status: No finding noted in current year audit.

2018-010 Significant Deficiency – Credit Cards

Condition: During our audit, we noted the following with regards to credit cards:

- Two payments were made to purchase prepaid Visa gift cards totaling \$527.
- There was not always a documented approval noted on credit cards statements or receipts.
- Purchase orders were not always completed and receipts were not always retained to support charges on credit card statements.
- The business purpose was not always clearly documented for some charges.

Recommendation: We recommend that the Town establish proper controls over use of the Town's credit cards, to include a proper review and approval, as well as documentation of original vendor invoice/receipt and business purpose.

Current Status: No finding noted in current year audit.

Town of Vivian
Vivian, Louisiana
Summary Schedule of Current Year Audit Findings
June 30, 2019

There are six (6) findings for the current year audit, as described below.

2019-001 Material Weakness – Collections

Condition: During our audit, we noted the following with regards to the Town's collection process:

- No evidence of review of daily work for collections by an appropriate town employee who was not involved in the collection process.
- No reconciliation of daily work to subsidiary ledgers/reports.
- Customer meter deposits received were not being entered into subsidiary ledger timely as received. In addition, customer meter deposit liability per general ledger was not in agreement with customer meter deposit subsidiary report.
- Annual ad valorem tax roll was not entered into subsidiary software when billed. There was no reconciliation of ad valorem receipts to subsidiary ledger.
- No review of adjustments entered into subsidiary ledger to ensure all adjustments had proper approval.

Criteria: Appropriate controls should be in place over the collection process which provide for a review of collections of daily work by town personnel not involved in the collection process, a reconciliation of daily work and subsidiary records, and a review of all adjustments. In addition, all receipts should be entered into subsidiary ledgers timely as received.

Cause: Controls were not in place over the collection process.

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

Recommendation: We recommend appropriate town personnel review and approve daily work, subsidiary records, and adjustments. We also recommend that deposits be appropriately entered into subsidiary software when received.

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration has implemented several additional controls over the collections process. The Town will develop and implement the necessary controls to address each area noted above, including appropriate reviews of daily work and reconciliation of subsidiary records.

2019-002 Material Weakness – Accounting Records

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

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

(Continued)

Town of Vivian
Vivian, Louisiana
Summary Schedule of Current Year Audit Findings
June 30, 2019
(Continued)

Cause: The Town changed its accounting software during the prior year. This contributed to the general ledgers not being posted properly or timely, since significant activity was no longer interfaced between the subsidiary ledgers and general ledgers.

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

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

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration contracted with a CPA firm to assist in maintaining the Town's accounting records, reconciling bank accounts, and preparation of budgetary financial statements. Effective January, 2019, the accounting software was changed again so that subsidiary ledgers and general ledgers could be interfaced. Significant time was involved in setting up the correct interfacing and postings of activity. As a result, the accounting records were not current during the year to allow for appropriate monitoring. Going forward, the Town's contract CPA will maintain the Town's accounting records on a current basis and will provide the Town with monthly bank reconciliations, as well as monthly budgetary financial statements.

2019-003 Significant Deficiency – Police Department Collections

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions: The Town now has procedures in place which include a review of collections to subsidiary records by an individual not involved in the collection process.

(Continued)

Town of Vivian
Vivian, Louisiana
Summary Schedule of Current Year Audit Findings
June 30, 2019
(Continued)

2019-004 Significant Deficiency – Payroll Taxes

Condition: Several federal payroll tax deposits do not appear to have been made by the required due dates during the year, and two payroll tax reports do not appear to have been filed timely during the year.

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration implemented procedures in January 2019 for ensuring that payroll tax payments and reporting were completed timely. The issues noted above took place prior to the new administration.

2019-005 Finding - Budget

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions: The Town's new administration contracted with a CPA firm to assist in maintaining the Town's accounting records, including preparation of budgetary financial statements. Effective January, 2019, the accounting software was changed again so that subsidiary ledgers and general ledgers could be interfaced. Significant time was involved in setting up the correct interfacing and postings of activity. As a result, the accounting records were not current during the year to allow for appropriate monitoring. Going forward, the Town's contract CPA will maintain the Town's accounting records on a current basis and will provide the Town with monthly budgetary financial statements.

(Continued)

Town of Vivian
Vivian, Louisiana
Summary Schedule of Current Year Audit Findings
June 30, 2019
(Continued)

2019-006 – Finding – Public Bid Law Violation

Criteria: The Louisiana Public Bid law requires governments to advertise for bids for materials and supplies in excess of \$30,000, or purchase items under the state contract.

Finding: During the year ended June 30, 2019, the Town acquired new equipment through a capital lease in the amount of \$214,178. The Town did not advertise for bids in the newspaper and did not purchase the equipment on state contract.

Cause: The equipment purchased was required to be compatible with existing equipment. The Town purchased the new equipment from the same vendor used previously, without going through the bid process.

Effect: The Town was not in compliance with the Louisiana State Bid Law.

Recommendation: We recommend the Town advertise for bids or purchase from the state contract for materials and supplies over \$30,000, in order to comply with Louisiana State Bid Law.

Management's Response: The procurement transaction in question took place prior to the new administration taking office. In the future, the Town will make sure that all purchases that are in excess of \$30,000 are purchased under state contract or bid out to comply with the Louisiana State Bid Law.

COOK & MOREHART

Certified Public Accountants

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STUART L. REEKS, CPA
J. PRESTON DELAUNE, CPA

Independent Accountants' Report on
Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Town of Vivian (Town), and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures Year 3 (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Town of Vivian's (Town) management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collection for each type of revenue or agency fund additions.
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statutes 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 disclosures/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The Town provided written policies and procedures addressing all of the above.

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.

The council met with a quorum at least monthly.

- 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.

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

Management's Response: The Town's new administration will include a reference of a review of monthly financial reports, including budget-to-actual comparisons, in the future.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.

The general fund did not have a negative ending unassigned fund balance.

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:

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

- 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);

Exception: Bank reconciliations were not prepared within two months for two of the accounts selected for testing.

Management's Response: The Town's new administration has contracted with a CPA firm to implement appropriate controls to ensure that bank reconciliations are prepared timely in the future.

- 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

Exception: There was no evidence that a member of management reviewed and approved the bank reconciliations for the accounts selected for testing.

Management's Response: The Town's new administration will implement those appropriate controls to ensure that bank reconciliations are approved by a member of management in the future.

- 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.

Exception: There was no evidence that a member of management researched reconciling items that were outstanding for more than 12 months from the closing date.

Management's Response: The Town's new administration will implement appropriate controls for reviewing/reconciling items that are outstanding for more than 12 months from the closing date.

Collections (excluding EFTs)

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).

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

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:

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

- 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.

Employees do not share cash drawers. Bank reconciliations are performed by a contract accountant.

Exception: Employees responsible for collections do prepare bank deposits and do post transactions to subsidiary ledgers. During the audit period, there was no review of daily reports and deposits by someone independent of the collection process.

Management's Response: Management has designated an individual who is independent of the collection process to review daily work and deposits.

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

All employees who have access to cash are covered by a bond or blanket 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.

For the 10 deposits selected for testing, there were no exceptions noted for the procedures listed above.

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).

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

Segregation of duties exists as noted above, except for as noted below:

Exception: The employee responsible for processing payments also receives the signed checks for mailing.

Management's Response: The Town's new administration will consider having an individual who is not involved in the payment process receive and mail the checks.

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.

For the transactions selected for testing, the disbursement matched the related original invoice and included evidence of segregation of duties.

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

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

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

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement

for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), 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.]

Monthly statements selected for testing were reviewed and approved in writing by someone other than the authorized card holder, except as noted below:

Exception: There was no evidence of approval by someone other than the cardholder on 1 statement selected for testing. In addition, one statement with total charges of \$17.99 could not be located for testing.

Management's Response: The Town's new administration will implement appropriate controls for ensuring that all credit card statements and supporting documentation are reviewed and approved, in writing, by someone other than the authorized card holder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

No finance charges or late fees were noted on the statements tested.

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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Transactions selected for testing were supported by an original itemized receipt that identified precisely what was purchased, contained written documentation of the business purpose, and documentation of the individuals participating in meals, as applicable, except as noted below:

Exception: Of the statements selected for testing, there was one (1) missing receipt totaling \$349, and there was no business purpose documented for that charge.

Management's Response: The Town's new administration has established controls over credit cards, which include retaining detailed receipts/supporting documentation for all charges and documentation of business purpose for each charge.

Travel and Expense Reimbursement

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

Contracts

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

Payroll and Personnel

- 14. 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.

Management provided the requested information, along with management's representation that the listing is complete. For the 5 employees selected for testing, the paid salaries agreed with the authorized salaries/pay rates in the personnel files, except as noted below:

Exception: Four of the five employees selected for testing did not have an approval for their pay rate in their personnel file.

Management's Response: The Town's new administration will ensure all employee pay rates are approved in writing and retained in each employees' personnel file.

- 15. 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.)

Employees selected for testing documented their daily attendance and leave.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

For the transactions selected for testing, supervisory review of attendance and leave was noted, except as noted below:

Exception: Three of the five employees selected for testing did not have supervisory approval noted on the timecard for the pay period selected.

Management's Response: The Town's new administration has established controls to ensure that daily attendance and leave are documented for all employees.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

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

- 16. 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.

No termination payments were made during the examination period.

17. 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.

The Town's new administration provided representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and the associated forms have been filed, by required deadlines, for those which were due since they took office.

Ethics (excluding nonprofits)

18. 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.

For the employees selected for testing, documentation was retained to demonstrate that employees completed 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.

Exception: For the five employees selected for testing, the Town could not locate documentation that each employee selected for testing had read the Town's ethics policy during the fiscal period.

Management's Response: The Town will implement controls requiring that all Town employees read the Town's ethics policy on an annual basis, and provide evidence by signature verification.

Debt Service (excluding nonprofits)

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to the Court does not have any outstanding debt.

Other

19. 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.

The Town provided information on misappropriation of public funds during the fiscal period in the amount of \$527. The Town provided documentation that they reported the misappropriation to the Louisiana Legislative Auditor and District Attorney of the parish.

20. 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.

The Town had posted on its premises and website the required notice.

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.

A handwritten signature in black ink that reads "Cook & Morehart". The signature is written in a cursive, flowing style.

Cook & Morehart
Certified Public Accountants
December 18, 2019