

**TOWN OF SAREPTA, LOUISIANA**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2018**

# TOWN OF SAREPTA, LOUISIANA

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### **INDEPENDENT AUDITOR'S REPORT**

The Honorable Peggy Adkins, Mayor  
and the Members of the Town Council  
Town of Sarepta, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the general fund of the Town of Sarepta, Louisiana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City'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. 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 the general fund information of the Town of Sarepta, Louisiana, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, listed as required supplementary information (Part 1) in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic

financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sarepta's basic financial statements. The budgetary comparison schedule, the schedule of proportionate share of net pension liability and schedule of pension contributions listed as required supplementary information (part II) in the table of contents as required by the Governmental Accounting Standards Board and the schedule of compensation, benefits and other payments to agency head or chief executive officer, schedule of insurance, and schedule of sewer rates listed as other supplemental information in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. These above listed schedules are the responsibility of management and were 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 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 3, 2018, on our consideration of the Town of Sarepta, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the Town of Sarepta, Louisiana's internal control over financial reporting and compliance.

In accordance with the requirements of the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, we have issued a report dated December 3, 2018 on the results of those procedures and management's response on pages 62 through 71.

*Dees Gardner, Certified Public Accountants, LLC*

Mansfield, Louisiana  
December 3, 2018

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

TOWN OF SAREPTA, LOUISIANA  
**Management's Discussion and Analysis**

June 30, 2018

As management of the Town of Sarepta, Louisiana, (hereafter referred to as "Town") we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Sarepta as of and for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

**Financial Highlights**

At June 30, 2018, the total assets and deferred outflows of resources of the Town of Sarepta exceeded the total liabilities and deferred inflows of resources by \$1,366,940 (total net position), a decrease of \$77,772 compared to the prior year's ending net position of \$1,444,712.

For the fiscal year ended June 30, 2018, the Town of Sarepta recognized a pension benefit of \$33,730. Net pension liability decreased \$43,862 (56%) from \$100,383 at June 30, 2017, to \$43,862 at June 30, 2018.

Unrestricted net position of \$412,441 (30.17% of total net position) represents the amount available to be used to meet the Town's ongoing obligations to the citizens of Sarepta, Louisiana.

The Town of Sarepta's proprietary (sewer) fund's net position decreased \$22,688 (3.53%) from \$642,392 at June 30, 2017, to \$619,704 at June 30, 2018.

As of the close of the fiscal year, the Town's governmental funds reported a decrease in ending fund balance of \$38,911 (8.33%) to \$428,161 from the \$467,072 fund balance for the prior year.

**Overview of the Financial Statements**

This Management Discussion and Analysis document introduces the Town of Sarepta's basic financial statements. The basic financial statements include two kinds of financial statements that present different views of the Town—the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain the information in the financial statements and provide additional detail. This report also contains additional required supplementary information—a budgetary schedule—in addition to the basic financial statements. These components are described below:

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Sarepta's finances in a manner similar to a private-sector business. The government-wide financial statements include two statements: The *statement of net position* presents information on all of the Town of Sarepta's assets and liabilities, with the difference between the two reported as *net position*. Overtime, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Sarepta is improving or deteriorating.

The *statement of activities* presents information showing how the Town of Sarepta's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the financial statements above have separate sections for the two different types of Town activities. These activities are:

*Governmental Activities*--The activities in this section are mostly supported by taxes and intergovernmental revenues (grants). The services that fall into this category for the Town are general government, police, streets and right-of-ways, and cultural and recreation.

*Business-type Activities*--These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activity of the Town consists of the provision of sewer services.

The government-wide financial statements can be found immediately following this discussion and analysis.

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

The fund financial statements focus on individual parts of the Town government, reporting operations in more detail than the government-wide statements. The funds of the Town are divided into two categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The two categories of funds are:

*Governmental fund financial statements.* Most of the basic services provided by the Town are financed through governmental funds. These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. This approach is known as using the flow of financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Town's finances and assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues,

expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Sarepta has one governmental fund: the General Fund, which is considered a major fund for presentation purposes. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances.

The governmental funds financial statements can be found immediately following the government-wide financial statements.

*Proprietary fund financial statements.* These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, they are known as proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The Town has one proprietary fund, the Sewer Fund, which is considered a major proprietary fund for presentation purposes.

The basic proprietary fund financial statements can be found immediately following the governmental funds financial statements.

**Notes to the financial statements.** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the funds financial statements.

**Required Supplementary Information (Part II).** The basic statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the general fund, and net pension liability schedules.

**Other Supplementary Information.** The schedule of compensation, benefits, and other payments to agency head or chief executive officer is presented to fulfil the requirements of Louisiana Revised Statute 24:513(A)(3). This supplementary information also includes a schedule of insurance and schedule of sewer rates.

## **Government-wide Activities Financial Analysis**

### ***Net Position***

Net position may serve over time as a useful indicator of a government's financial position. The Town's combined net position (governmental and business-type activities) totaled \$1,366,940 and \$1,444,712 as of June 30, 2018, and 2017, respectively, a decrease of \$77,772 (5.38%). A portion of the Town's June 30, 2018, net position of \$865,915 (63.35%) is its investment in capital assets (e.g. land, buildings, improvements, infrastructure, and equipment); less accumulated depreciation and any related

debt used to acquire those assets that is still outstanding. This is compared to \$943,357 (65.30%) as of June 30, 2017. The Town uses these capital assets to provide services to the citizens of the Town; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of net position \$88,584 (6.48%) as of June 30, 2018 and \$85,569 (5.59%) as of June 30, 2017, is restricted by loan covenants for repayment of principal and interest on long-term debt.

The Town's unrestricted net position, \$412,441 (30.17%) and \$415,786 (28.78%) as of June 30, 2018 and 2017, respectively, may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and aldermen.

The following table provides a summary of the Town's net position:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current and other assets	\$ 440,690	\$ 482,016	\$ 197,136	\$ 189,110	\$ 637,826	\$ 671,126
Capital assets	418,069	468,931	745,865	787,023	1,163,934	1,255,954
Total assets	<u>858,759</u>	<u>950,947</u>	<u>943,001</u>	<u>976,133</u>	<u>1,801,760</u>	<u>1,927,080</u>
<b>Deferred Outflows:</b>						
Pension related	<u>5,328</u>	<u>26,252</u>	<u>-</u>	<u>-</u>	<u>5,328</u>	<u>26,252</u>
<b>Liabilities:</b>						
Current liabilities	12,529	14,944	25,164	36,182	37,693	51,126
<b>Long-term liabilities:</b>						
Net pension liability	43,862	100,383	-	-	43,862	100,383
Bonds payable	-	-	282,733	298,019	282,733	298,019
Customer deposits	-	-	15,400	12,525	15,400	12,525
Total liabilities	<u>56,391</u>	<u>115,327</u>	<u>323,297</u>	<u>346,726</u>	<u>379,688</u>	<u>462,053</u>
<b>Deferred Inflows:</b>						
Pension related	<u>60,460</u>	<u>59,552</u>	<u>-</u>	<u>-</u>	<u>60,460</u>	<u>59,552</u>
<b>Net Position:</b>						
Net investment in capital assets	418,069	468,931	447,846	474,426	865,915	943,357
Restricted	-	-	88,584	85,569	88,584	85,569
Unrestricted	<u>329,167</u>	<u>333,389</u>	<u>83,274</u>	<u>82,397</u>	<u>412,441</u>	<u>415,786</u>
Total net position	<u>\$ 747,236</u>	<u>\$ 802,320</u>	<u>619,704</u>	<u>642,392</u>	<u>\$ 1,366,940</u>	<u>\$ 1,444,712</u>

### ***Changes in net position***

The Town's net position decreased by \$77,772 (5.38%) during the year ended June 30, 2018, compared to a decrease of \$107,587 (6.93%) in 2017. The difference is primarily due to an overall increase in expenses.

General revenues decreased \$18,429 to \$274,832 in 2018 compared to an increase of \$4,030 in 2017. This was due primarily due to the loss on the sale and disposal of fixed assets. During the year ended June 30, 2018, approximately 51.09% of total revenues of \$537,898 were derived from general revenues, including property taxes (24.6%), sales taxes (14.5%), and franchise taxes (12.0%).

Total program revenues increased a total of \$99,356 to \$263,066 (48.9%) of total revenues in 2018 compared to \$163,710 (35.8%) for the prior year. Charges for services of \$248,001 make up 46.11% of total revenues compared to \$148,183 or 32.43% in 2017.

Total expenses increased \$51,112 or 9.05%. The largest expenses were: sewer operations, \$222,665 (36.17%); general government, \$166,575 (27.06%); public safety, \$127,804 (20.76%) public works, \$48,844 (7.93%); and parks and recreation, \$35,248 (5.73%). Net expense from business-type activities exceeded revenues by \$22,688 in 2018. The following table provides a summary of the Town's changes in net position:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 101,382	\$ 38,749	\$ 146,619	\$ 109,434	\$ 248,001	\$ 148,183
Operating grants and contributions	15,065	9,493	-	-	15,065	9,493
Capital grants and contributions	-	-	-	6,034	-	6,034
General revenues:						
Property taxes	132,085	124,361	-	-	132,085	124,361
Sales taxes	78,142	83,302	-	-	78,142	83,302
Franchise taxes	64,300	29,224	-	-	64,300	29,224
Licenses and permits	5,716	39,590	-	-	5,716	39,590
Interest	1,001	1,015	606	596	1,607	1,611
Gain(loss) on sale of assets	(13,890)	7,511	-	-	(13,890)	7,511
Other	6,872	7,662	-	-	6,872	7,662
Total revenues	<u>390,673</u>	<u>340,907</u>	<u>147,225</u>	<u>116,064</u>	<u>537,898</u>	<u>456,971</u>
Expenses:						
General government	166,575	254,999	-	-	166,575	254,999
Public safety: Police	127,804	4,997	-	-	127,804	4,997
Public works: Streets	48,844	25,815	-	-	48,844	25,815
Parks and recreation	35,248	29,767	-	-	35,248	29,767
Sewer	-	-	222,665	233,771	222,665	233,771
Interest on long-term debt	-	-	14,534	15,209	14,534	15,209
Total expenses	<u>378,471</u>	<u>315,578</u>	<u>237,199</u>	<u>248,980</u>	<u>615,670</u>	<u>564,558</u>
Increase (decrease) in net position before transfers	12,202	25,329	(89,974)	(132,916)	(77,772)	(107,587)
Transfers in (out)	(67,286)	(100,472)	67,286	100,472	-	-
Change in net position	<u>(55,084)</u>	<u>(75,143)</u>	<u>(22,688)</u>	<u>(32,444)</u>	<u>(77,772)</u>	<u>(107,587)</u>
Net position-beginning	802,320	877,463	642,392	674,836	1,444,712	1,552,299
Net position - ending	<u>\$ 747,236</u>	<u>\$ 802,320</u>	<u>\$ 619,704</u>	<u>\$ 642,392</u>	<u>\$ 1,366,940</u>	<u>\$ 1,444,712</u>

## **Governmental Funds Financial Analysis**

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

### *Governmental fund*

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

As of the end of the current year, the Town's governmental fund, the General Fund, reported an ending fund balance of \$428,161, a decrease of \$38,911 (8.33%) compared to the prior year. As of June 30, 2018, the General Fund's unassigned fund balance of \$227,319 (53.09%) is available for spending during the coming year at the discretion of the mayor and town council. \$198,569 (46.38%) has already been committed to fund sewers, streets, festival, and parks expenditures while \$2,273 (0.53%) consists of prepaid insurance and is unavailable for spending during the coming year.

### *Proprietary Fund*

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town's proprietary fund (Sewer Fund) reported operating expenses of \$222,665 during the year ended June 30, 2018 compared to \$233,771 for the prior year, which were \$76,046 and \$124,337 greater than operating revenues of \$146,619 and \$109,434, respectively. The town's proprietary fund also reported a non-operating expense of \$14,534 for interest netted against interest income of \$606. The General Fund made operating transfers to the Sewer Fund of \$67,286, which consisted of \$40,000 in cash and \$27,286 in fixed assets. Thus, the sewer fund reported a decrease of \$22,688 (4.07%) in net assets in the fiscal year ended June 30, 2018.

At the end of the current year, the Town's Sewer Fund reported ending net position of \$619,704. \$447,846 (72.27%) represents investment in capital assets net of accumulated depreciation and related outstanding debt. A total of \$88,584 (14.29%) is restricted by loan covenants for repayment of principal and interest on long-term debt and \$83,274 (13.44%) is unrestricted and available for spending at the Town's discretion.

## **General Fund Budgetary Highlights**

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the Town complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.). The Town amended the original budget primarily for an increase in expenses overall. The Town was in compliance with the Budget Act. Revenues were less than what was budgeted by \$531 or less than 1%. Actual expenses were less than the budgeted amounts.

## **Capital Asset and Debt Administration**

**Capital assets** The Town of Sarepta's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totaled \$2,807,709, net of accumulated depreciation of \$1,643,775 leaving a book value of \$1,163,934. This investment includes land, buildings, furniture, equipment and infrastructure.

**Long-term debt** At year end, the Town had \$298,019 in sewer revenue bonds outstanding, a decrease of \$14,578 (4.66%) compared to the prior year. Revenues derived or to be derived from the operation of the sewer system, after paying the reasonable and necessary expenses of operating and maintaining the system, are dedicated and pledged to the payment of the outstanding debt as set forth in the loan agreement. The Town is required to make monthly deposits into accounts restricted for the Bond Sinking Fund, the Bond Contingency Fund, and the Bond Reserve Fund as more fully described in Note 7.

## **Economic Factors and Next Year's Budget**

For the fiscal year ending June 30, 2019, the following factors were considered when the budget was prepared:

- General revenues and sewer fees collected will remain consistent with the prior year.
- Other expenditures are expected to remain steady with the prior year.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town of Sarepta's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Sarepta, P. O. Box 338, Sarepta, LA 71071-0388 or by calling (318) 847-4333.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

## TOWN OF SAREPTA, LOUISIANA

## STATEMENT OF NET POSITION

June 30, 2018

<b>ASSETS</b>	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and cash equivalents	\$ 350,910	\$ 45,574	\$ 396,484
Investments	66,209	38,557	104,766
Receivables, net of allowance for uncollectible	16,436	13,883	30,319
Prepaid insurance	2,273	-	2,273
Restricted cash and cash equivalents	-	103,984	103,984
Internal balances	4,862	(4,862)	-
Total current assets	<u>440,690</u>	<u>197,136</u>	<u>637,826</u>
Non-current assets:			
Capital assets, net of accumulated depreciation	<u>418,069</u>	<u>745,865</u>	<u>1,163,934</u>
<b>TOTAL ASSETS</b>	<u>858,759</u>	<u>943,001</u>	<u>1,801,760</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	<u>5,328</u>	<u>-</u>	<u>5,328</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts, payroll, and other payables	12,529	9,878	22,407
Revenue bonds, current	-	15,286	15,286
Total current liabilities	<u>12,529</u>	<u>25,164</u>	<u>37,693</u>
Non-current liabilities:			
Net pension liability	43,862	-	43,862
Customer deposits	-	15,400	15,400
Bonds payable	-	282,733	282,733
Total non-current liabilities	<u>43,862</u>	<u>298,133</u>	<u>341,995</u>
<b>TOTAL LIABILITIES</b>	<u>56,391</u>	<u>323,297</u>	<u>379,688</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	<u>60,460</u>	<u>-</u>	<u>60,460</u>
<b>NET POSITION</b>			
Net investment in capital assets	418,069	447,846	865,915
Restricted for debt service	-	88,584	88,584
Unrestricted	<u>329,167</u>	<u>83,274</u>	<u>412,441</u>
<b>TOTAL NET POSITION</b>	<u>\$ 747,236</u>	<u>\$ 619,704</u>	<u>\$ 1,366,940</u>

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

## TOWN OF SAREPTA, LOUISIANA

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

Primary Government	Expenses	Program Revenues			Net (Expenses), Revenues, and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
General government	\$ 166,575	\$ -	\$ -	\$ -	\$ (166,575)	\$ -	\$ (166,575)
Public safety: Police	127,804	82,413	7,576	-	(37,815)	-	(37,815)
Public works: Streets & right of ways	48,844	-	-	-	(48,844)	-	(48,844)
Parks and recreation	35,248	18,969	7,489	-	(8,790)	-	(8,790)
Total Governmental Activities	<u>378,471</u>	<u>101,382</u>	<u>15,065</u>	<u>-</u>	<u>(262,024)</u>	<u>-</u>	<u>(262,024)</u>
<b>Business-Type Activities</b>							
Sewer	222,665	146,619	-	-	-	(76,046)	(76,046)
Interest on debt	14,534	-	-	-	-	(14,534)	(14,534)
Total Business-type Activities	<u>237,199</u>	<u>146,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,580)</u>	<u>(90,580)</u>
Total Primary Government	<u>\$ 615,670</u>	<u>\$ 248,001</u>	<u>\$ 15,065</u>	<u>\$ -</u>	<u>\$ (262,024)</u>	<u>(90,580)</u>	<u>(352,604)</u>
General Revenues:							
Ad valorem taxes					132,085	-	132,085
Sales tax					78,142	-	78,142
Franchise taxes					64,300	-	64,300
License and permits					5,716	-	5,716
Gain on sale of assets					(13,890)	-	(13,890)
Investment earnings					1,001	606	1,607
Other general revenues					6,872	-	6,872
Transfers (out) in					(67,286)	67,286	-
Total general revenues and transfers					<u>206,940</u>	<u>67,892</u>	<u>274,832</u>
Change in Net Position					(55,084)	(22,688)	(77,772)
Net position - beginning					<u>802,320</u>	<u>642,392</u>	<u>1,444,712</u>
Net position - ending					<u>\$ 747,236</u>	<u>\$ 619,704</u>	<u>\$ 1,366,940</u>

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

## FUND FINANCIAL STATEMENTS

**TOWN OF SAREPTA, LOUISIANA**  
**BALANCE SHEET-GOVERNMENTAL FUND**  
June 30, 2018

<b>ASSETS</b>		<u>General Fund</u>
Cash and cash equivalents	\$	350,910
Investments		66,209
Receivables		16,436
Prepaid insurance		2,273
Due from other fund		<u>4,862</u>
TOTAL ASSETS	\$	<u><u>440,690</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts, payroll, and other payables	\$	12,529
Total Liabilities		<u>12,529</u>
Fund Balance:		
Nonspendable		
Prepaid insurance		2,273
Committed		
Sewers, streets and parks		198,569
Unassigned		
Total Fund Balance		<u>227,319</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>440,690</u></u>

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

**TOWN OF SAREPTA, LOUISIANA**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
 June 30, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balance, Total Governmental Funds, Statement C	\$ 428,161
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the government funds	418,069
Certain deferred outflows are reported in the Statement of Net Position but not in the governmental funds	
Deferred outflows--pension related	5,328
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds	
Net pension liability	(43,862)
Deferred inflows--pension related	<u>(60,460)</u>
Net Position of Governmental Activities, Statement A	<u>\$ 747,236</u>

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

## TOWN OF SAREPTA, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND

For the year ended June 30, 2018

	<u>General Fund</u>
<b>Revenues:</b>	
Taxes	
Ad valorem taxes	\$ 132,085
Sales taxes	78,142
Franchise taxes	64,300
Licenses and permits	5,716
Fines and forfeitures	82,413
Intergovernmental	
State: On-behalf payments	6,617
Parks and recreation	18,969
Contributions	7,489
Interest	1,001
Other	4,968
	<u>401,700</u>
<b>Total Revenues</b>	<u>401,700</u>
<b>Expenditures:</b>	
Current	
General government	161,145
Public Safety: Police	144,563
Public Works: Streets and right of ways	45,176
Parks and recreation	29,440
	<u>380,324</u>
<b>Total Expenditures</b>	<u>380,324</u>
Excess (Deficiency) of Revenues over Expenditures	<u>21,376</u>
<b>Other Financing Sources (Uses):</b>	
Sale of property	7,000
Transfers out	<u>(67,287)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(60,287)</u>
Net change in fund balance	(38,911)
Fund balance, beginning of year	<u>467,072</u>
Fund balance, end of year	<u>\$ 428,161</u>

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

## TOWN OF SAREPTA, LOUISIANA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2018

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

Net Change in Fund Balance, Governmental Fund, Statement E	\$	(38,911)
--	----	----------

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

Capital outlays		-
Depreciation		(31,876)
Disposal of capital assets		

In the statement of activities, only the <i>gain or loss</i> on the sale of an asset is reported whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net position differed from the change in fund balance by the cost basis of the assets sold.		(18,986)
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In the government-wide Statement of Activities pension benefits are recorded, but not in the governmental fund statement.

Pension benefit (expense)		33,730
Non-employer pension revenue		959
		959

Change in Net Position of Governmental Activities, Statement B	\$	(55,084)
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PROPRIETARY FUND

## TOWN OF SAREPTA, LOUISIANA

STATEMENT OF NET POSITION  
PROPRIETARY FUND

June 30, 2018

<b>ASSETS</b>	<u>Sewer Fund</u>
Current assets:	
Cash and cash equivalents	\$ 45,574
Investments	38,557
Sewer fee receivables, net of allowance	13,883
Total current assets	<u>98,014</u>
Restricted assets:	
Restricted cash and cash equivalents	103,984
Total restricted assets	<u>103,984</u>
Non-current assets:	
Capital assets, net of accumulated depreciation	745,865
Total non-current assets	<u>745,865</u>
<b>TOTAL ASSETS</b>	<u>947,863</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	9,878
Due to other fund	4,862
Payable from restricted assets:	
Revenue bonds	15,286
Total current liabilities	<u>30,026</u>
Non-current liabilities:	
Customer deposits	15,400
Bonds payable	282,733
Total non-current liabilities	<u>298,133</u>
<b>TOTAL LIABILITIES</b>	<u>328,159</u>
<b>NET POSITION</b>	
Net investment in capital assets	447,846
Restricted for debt service	88,584
Unrestricted	83,274
<b>TOTAL NET POSITION</b>	<u>\$ 619,704</u>

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

**TOWN OF SAREPTA, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**PROPRIETARY FUND**  
For the year ended June 30, 2018

	Sewer Fund
<b>Operating Revenues</b>	
Charges for services	
Sewer service fees	\$ <u>146,619</u>
<b>Operating Expenses</b>	
Cost of sales and services	143,995
Administration	10,226
Depreciation	<u>68,444</u>
Total Operating Expenses	<u>222,665</u>
<b>Operating Income (Loss)</b>	(76,046)
<b>Nonoperating Revenues (Expenses)</b>	
Interest earnings	606
Interest expense	<u>(14,534)</u>
Total Nonoperating Revenues (Expenses)	<u>(13,928)</u>
Income (Loss) Before Transfers	(89,974)
<b>Transfer from General Fund</b>	<u>67,286</u>
<b>Change in Net Position</b>	(22,688)
Total Net Position, beginning of year	<u>642,392</u>
Total Net Position, end of year	\$ <u><u>619,704</u></u>

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

## TOWN OF SAREPTA, LOUISIANA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

For the year ended June 30, 2018

	<u>Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 145,602
Cash payments to suppliers for goods and services	(108,636)
Cash payments to employees for services	(50,767)
Net cash used by operating activities	<u>(13,801)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Transfer from general fund	40,000
Principal paid on capital debt	(14,578)
Interest paid on capital debt	(14,534)
Net cash provided by non capital financing activities	<u>10,888</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(481)
Interest received	606
Net cash provided by investing activities	<u>125</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,788)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	152,346
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 149,558</u>
Reconciliation of total cash and cash equivalents:	
Current assets - Cash and cash equivalents	\$ 45,574
Restricted cash and cash equivalents	103,984
Total cash and cash equivalents	<u>\$ 149,558</u>
Reconciliation of operating income(loss) to net cash provided(used) by operating activities:	
Operating income (loss)	\$ (76,046)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Depreciation and amortization	68,444
(Increase) decrease in prepaid assets	1,679
(Increase) decrease in accounts receivable	(3,889)
Increase (decrease) in accounts payable	1,475
Increase (decrease) due to other fund	(8,123)
Increase (decrease) in compensated absences	(216)
Increase (decrease) in customer deposits	2,875
Total adjustments	<u>62,245</u>
Net cash (used) by operating activities	<u>\$ (13,801)</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

# TOWN OF SAREPTA, LOUISIANA

## NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

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### INTRODUCTION

The Town of Sarepta, Louisiana, was incorporated under the provisions of the Lawrason Act. The Town is governed by the mayor, town council form of government. The mayor and five councilmen are elected and serve four-year terms that expire on December 31, 2020. In addition to the Town Clerk and Chief of Police, the Town has two sewer/street employees and a part time billing clerk. The Town has a population of 847 (2017 Census estimate) and is located in northwest Louisiana in Webster Parish.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Sarepta's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting policies established in GAAP and used by the Town are discussed below.

#### A. Reporting Entity

The Town is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. This report includes all funds that are controlled by or dependent on the Town's Executive and Legislative Branches (The Mayor and Board of Aldermen).

The primary government (Town of Sarepta) is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no entities that were determined to be component units of the Town of Sarepta.

#### B. Fund Accounting

The Town uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Town functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

*Government funds* are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town, or the total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds, or management believes that the fund is particularly important to the financial statement users. The municipality reports the following governmental fund:

- The *General Fund* is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is always reported as major governmental fund in governmental fund statements.

*Proprietary funds* are used to account for ongoing activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. Proprietary funds account for operations (a) that are financed and operated in a manner similar to private business—where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

# TOWN OF SAREPTA, LOUISIANA

## NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Fund Accounting (continued)

- The *Sewer Fund* is the Town's business-type fund and is considered a major fund. It accounts for all assets, liabilities, revenues, and expenses pertaining to the provision of sewer service to customers.

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. Individual funds are not displayed. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

##### Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide view of the Town's operations.

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

# TOWN OF SAREPTA, LOUISIANA

## NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Property taxes, sales taxes, franchise taxes, grant revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines, permits, and license revenues are considered to be measurable and available only when cash is received by the government.

Salaries and related benefits are recorded when employee services are provided to the Town.

#### Proprietary Fund Financial Statements

The financial statements of the proprietary fund are reported using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The amounts reflected in the Proprietary Fund Financial Statements use the accrual basis of accounting. All assets and liabilities (whether current or non-current) associated with their activities are reported.

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 a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund is sewer operating fees. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is charges between the government's governmental and proprietary operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

#### D. Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits, interest bearing demand deposits and short-term, highly liquid investments with original maturities of 90 days or less when purchased. Investments are interest-bearing time deposits with original maturity dated in excess of 90 days when purchased. Investments are stated at cost, which approximates market value.

Under state law the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state bank organized under Louisiana law and national banks having principal offices in Louisiana.

#### E. Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. The receivables for the governmental activities include ad valorem taxes, sales and use tax, and franchise taxes. Business-type activities report customer's sewer service charges as its major receivable. Uncollectible amounts due for sewer charges 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.

**TOWN OF SAREPTA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS**  
As of and for the Year Ended June 30, 2018

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Prepaid Insurance**

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid expenses.

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost. There are no assets valued at estimated cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains the following threshold levels for capitalizing assets:

Land	\$	1
Land improvements		10,000
Buildings		10,000
Machinery and equipment		5,000
Infrastructure		25,000
Computer software		5,000

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

In accordance with GASB Statement 34, 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 Statement 34 forward and will not retroactively capitalize infrastructure.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings	20-40 years
Equipment	5-15 years
Sewer improvements	25 years
Outdoor and playground equipment	20 years

**H. Compensated Absences**

The Town of Sarepta has the following policy relating to vacation and sick leave:

*Vacation:* Employees are entitled to five days after one continuous year of service; ten days after two continuous years of service; and fifteen days after ten years of service and thereafter. Vacation time will not be allowed to accrue and will be calculated based on the anniversary date of employment.

*Sick leave:* Employees are entitled to ten sick leave days per year. The days are based on the fiscal year of July 1, to June 30. Sick days may accrue up to thirty days. After thirty days, the employee is paid for excess sick days at a rate of 1/260<sup>th</sup> of their annual salary. Sick pay vests with the employee (i.e. is paid upon termination) and is recognized as an expense by the Town as earned.

# TOWN OF SAREPTA, LOUISIANA

## NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### I. 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Town has only one item that qualifies for reporting in this category, deferred amounts related to the pension plan.

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, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the Town has only one item that qualifies for reporting in this category, deferred amounts related to the pension plan.

In the governmental fund financial statements, deferred inflows of resources arise when the Town receives resources before it has legal claim to them, as when contributions are received in advance of the period in which they must be used. In subsequent periods, when both revenue recognition criteria have been met or the Town has legal claim to the resources, the deferred inflow of resources is removed from the balance sheet and revenue is recognized.

#### J. Restricted Assets

Restricted assets include cash and cash equivalents in the business type activity (Sewer Fund) that is legally restricted as to their use. The restricted assets are related to the revenue bond accounts and customer's sewer deposits.

#### K. Net Position/Fund Equity

##### NET POSITION

In the government-wide financial statements, fund equity (the difference between assets and liabilities) is classified as net position and reported in three components:

- *Net investment in capital assets*—consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position*—consists of net position with constraints placed on the use by a) external groups, such as creditors, grantors, or laws or regulations of other government; or b) law through constitutional provisions or enabling legislation.
- *Unrestricted net position*—consists of all other assets that do not meet the definition of “restricted” or “net investment in capital assets”.

The Town of Sarepta's policy is to consider restricted net position to have been depleted before unrestricted net position is applied.

# TOWN OF SAREPTA, LOUISIANA

## NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### K. Net Position/Fund Equity (continued)

##### FUND BALANCES

As required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, this statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable* – Amounts that are not in spendable form (such as prepaid expenses) or they are legally or contractually required to be maintained intact.
- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors or laws or regulations of other governments).
- *Committed* – Amounts constrained by the Town itself at its highest level of decision making (the Town Council). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.
- *Assigned* – Amounts the Town intends to use for a specific purpose as established by the Town Council or a body or official (Mayor) to which the Town Council has delegated authority to assign amounts for specific purposes.
- *Unassigned* – All amounts which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a negative unassigned fund balance amount.

The Town of Sarepta establishes (and modifies and rescinds) fund balance commitments and assignments by passage of an ordinance or resolution. The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

#### L. Interfund Transactions and Balances

Quasi-external transactions, if any, are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and due from other funds." These receivables and payables are classified as internal balances on the statement of net position and as due from/to other funds in the fund financial statements.

#### M. Estimates

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

**TOWN OF SAREPTA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS**

As of and for the Year Ended June 30, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. 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; and injuries to employees. To handle such risk of loss the Town maintains commercial insurance policies and surety bond coverage. There have been no claims filed in the last three years.

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

*Cash and Cash Equivalents:*

At June 30, 2018, the Town has cash and cash equivalents (book balances) in deposits totaling \$500,468 as follows:

	General Fund	Sewer Fund	Total
Cash	\$ 1,786	\$ -	\$ 1,786
Interest-bearing demand deposits	306,664	125,294	431,958
Demand deposits	42,460	24,264	66,724
	\$ 350,910	\$ 149,558	\$ 500,468

Per financial statements:

Cash and cash equivalents	\$ 396,484
Restricted cash and cash equivalents	103,984
	\$ 500,468

*Investments:*

At June 30, 2018, the Town has investments (book balances) totaling \$104,766 as follows:

	General Fund	Sewer Fund	Total
Certificates of deposit	\$ 66,209	\$ 38,557	\$ 104,766

These deposits are stated at cost, which approximates market.

The cash and cash equivalents and investments of the Town of Sarepta are subject to the following risks:

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities with 10 days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand. Further Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Town's name.

At June 30, 2018, the Town has collected bank balances of deposits totaling \$606,643. These deposits are secured from risk by \$250,000 of federal deposit insurance and \$174,156 of NCUSIF insurance. The remaining balance is secured by pledged securities held by the custodial bank in the name of the Town (GASB Category 2).

## TOWN OF SAREPTA, LOUISIANA

### NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

#### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

*Interest Rate Risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy, however, as a means of offsetting exposure to interest rate risk the Town's certificates of deposit have maturities of one year or less which limits exposure to fair value losses arising from rising interest rates.

*Credit Risk:* Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of an investment. The Town's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state bank organized under Louisiana law and national banks having principal offices in Louisiana.

#### 3. LEVIED TAXES

The Town of Sarepta has a 1% sales and use tax approved by the voters on October 24, 1987, and authorized through March 31, 2027. The tax, after all necessary costs for collection and administration, is dedicated for any lawful corporate purpose.

Sales tax collections for the year ended June 30, 2018, are \$78,142.

The Town also levies taxes on real and business personal property located within the boundaries of the town. Ad valorem (property) taxes are levied by the Town on property values assessed by the Webster Parish Tax Assessor and approved by the State of Louisiana Tax Commission. 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 billed to the taxpayer in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

For the year ended June 30, 2018, taxes of 21.61 mills were levied on property with taxable valuations totaling \$6,094,360 and were dedicated as follows.

Taxes due for:	Authorized Millage	Levied Millage	Expiration Date
General alimony	7.00	7.77	Indefinite
Sewers/streets/parks/recreation	14.00	13.84	2020

The difference between authorized and levied millages is the result of reassessments of taxable property within the parish as required by Louisiana Constitution Article VII, Section 18(F). This revaluation of all property is required to be completed no less than every four years. Total ad valorem taxes levied are \$131,699.

#### 4. RECEIVABLES

The following is a summary of receivables at June 30, 2018:

	General	Sewer
Sales and use tax	\$ 6,887	\$ -
Franchise tax	895	-
Other (fines & refunds)	6,089	-
Mowing	2,565	-
Sewer fees	-	16,010
Total accounts receivable	<u>16,436</u>	<u>16,010</u>
Less: Allowance for uncollectibles	-	(2,127)
Net accounts receivable	<u>\$ 16,436</u>	<u>\$ 13,883</u>

**TOWN OF SAREPTA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS**

As of and for the Year Ended June 30, 2018

**5. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended June 30, 2018, for the primary government is as follows:

**Governmental Activities:**

	Balance June 30, 2017	Increases	Reclassifications/ Decreases	Balance June 30, 2018
Capital assets, not being depreciated				
Land	\$ 73,280	\$ -	\$ (5,000)	\$ 68,280
Capital assets, being depreciated				
Buildings & improvements	308,446	-	(35,521)	272,925
Improvements other than buildings	95,225	-	-	95,225
Vehicles	95,108	-	-	95,108
Equipment - office and other	70,122	-	-	70,122
Playground & ball equipment	39,218	-	-	39,218
Total capital assets, being depreciated	<u>608,119</u>	<u>-</u>	<u>(35,521)</u>	<u>572,598</u>
Less accumulated depreciation for				
Buildings & improvements	103,561	6,428	(21,535)	88,454
Improvements other than buildings	40,668	3,976	-	44,644
Vehicles	21,678	15,448	-	37,126
Equipment - office and other	25,196	4,113	-	29,309
Playground & ball equipment	21,365	1,911	-	23,276
Total accumulated depreciation	<u>212,468</u>	<u>31,876</u>	<u>(21,535)</u>	<u>222,809</u>
Total capital assets being depreciated net	<u>395,651</u>	<u>(31,876)</u>	<u>(13,986)</u>	<u>349,789</u>
Total capital assets, net	<u>\$ 468,931</u>	<u>\$ (31,876)</u>	<u>\$ (18,986)</u>	<u>\$ 418,069</u>

**Business type Activity:**

	Balance June 30, 2017	Increases	Reclassifications/ Decreases	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 9,000	\$ -	\$ -	\$ 9,000
Capital assets being depreciated				
Sewer system	2,089,696	-	-	2,089,696
Equipment	30,000	-	-	30,000
Vehicles	27,982	29,190	(19,037)	38,135
Total capital assets being depreciated	<u>2,147,678</u>	<u>29,190</u>	<u>(19,037)</u>	<u>2,157,831</u>
Less accumulated depreciation for				
Sewer system	1,315,975	65,525	-	1,381,500
Equipment	30,259	-	-	30,259
Vehicles	23,421	2,919	(17,133)	9,207
Total accumulated depreciation	<u>1,369,655</u>	<u>68,444</u>	<u>(17,133)</u>	<u>1,420,966</u>
Total capital assets being depreciated net	<u>778,023</u>	<u>(39,254)</u>	<u>(1,904)</u>	<u>736,865</u>
Total capital assets, net	<u>\$ 787,023</u>	<u>\$ (39,254)</u>	<u>\$ (1,904)</u>	<u>\$ 745,865</u>

Depreciation expense of \$31,876 for the year ended June 30, 2018, was charged to the following governmental functions:

General government	\$ 5,428
Public safety	16,971
Streets	3,669
Parks and recreation	5,808
	<u>\$ 31,876</u>

**TOWN OF SAREPTA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS**

As of and for the Year Ended June 30, 2018

**6. PER DIEM/REIMBURSEMENTS TO MAYOR AND BOARD OF ALDERMEN**

The following is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the aldermen is included in the general government expenditures of the general fund. Per Diem and reimbursements paid to the Board of Aldermen for the year ended June 30, 2018, are as follows:

Aldermen:	Per Diem
Michael Corley	\$ 1,200
Melanie Dean	1,200
David Neal	1,200
Madison Tyler	1,200
Gary Warford	1,200
Total	\$ 6,000

The current elected official's terms expire December 31, 2020.

**7. LONG-TERM DEBT**

The following is a summary of the long-term debt obligation transactions for the year ended June 30, 2018:

	Sewer Fund
Long-term obligations at June 30, 2017	\$ 312,597
Additions	-
Deductions	(14,578)
Total due	298,019
Less current due	(15,286)
Long-term obligations at June 30, 2018	\$ 282,733

Sewer revenue bond payable at June 30, 2018, is comprised of the following issue:

Bond	Original Issue	Interest Rate	Final Payment due	Interest to Maturity	Principal Outstanding	Funding Source
2001 Sewer Revenue Bonds	\$516,000	4.750%	2032	\$ 110,984	\$ 298,019	Sewer Revenue

The total annual requirements to amortize all debt outstanding as of June 30, 2018, including interest payments are as follows:

Year ended June 30,	Principal	Interest	Total
2019	\$ 15,286	\$ 13,826	\$ 29,112
2020	16,028	13,084	29,112
2021	16,806	12,306	29,112
2022	17,622	11,490	29,112
2023	18,478	10,634	29,112
2023-2027	106,748	38,812	145,560
2028-2032	107,051	10,832	117,883
	\$ 298,019	\$ 110,984	\$ 409,003

**TOWN OF SAREPTA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS**

As of and for the Year Ended June 30, 2018

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**8. RESTRICTED ASSETS**

Under the terms of the Sewer Revenue Bonds, revenues derived or to be derived from the operation of the sewer system, after paying the reasonable and necessary expenses of operating and maintaining the sewer system, are to be dedicated and pledged for the sinking, reserve and contingency funds scheduled payments as follows:

*Sinking Fund.* Commencing with the month following completion of and acceptance of the sewer improvements financed with the proceeds of the sewer revenue bonds, a sum of \$2,043 must be deposited on or before the 20<sup>th</sup> day of each month into the Sewer Revenue Bond and Interest Sinking Fund from August 20, 2001, through July 20, 2032, to provide amounts sufficient to pay promptly and fully the principal of and interest on the bonds.

*Reserve Fund.* Commencing with the month following completion of and acceptance of the sewer improvements financed with the proceeds of the sewer revenue bonds, a sum of \$103 per month must be deposited into the Reserve Fund from August 20, 2000, through July 20, 2001. A sum of \$122 per month must be deposited into the Reserve Fund from August 20, 2001, through July 20, 2032, until \$29,102 has been accumulated therein. At June 30, 2018, there is \$26,915 in that account.

*Contingency Fund.* Commencing with the month following completion of and acceptance of the sewer improvements financed with the proceeds of the sewer revenue bonds, a sum of \$103 per month must be deposited into the Contingency Fund from August 20, 2001, through July 20, 2032, which sum shall increase to \$243 per month once \$29,102 has been accumulated in the Reserve Fund. At June 30, 2018, there is \$26,787 in that account.

Restricted assets for debt service consist of the following at June 30, 2018:

Bond and interest sinking fund	\$	34,882
Revenue bond reserve fund		26,915
Revenue bond contingency fund		26,787
	\$	<u>88,584</u>

**9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA**

**Plan description**

All full-time police department employees engaged in law enforcement and empowered to make arrests, are required to participate in the Municipal Police Employees' Retirement System providing he or she does not pay social security and providing he or she meets the statutory criteria. The System is the administrator of a cost-sharing multiple-employer plan that provides retirement benefits for municipal police officers.

The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized with Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013

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

## TOWN OF SAREPTA, LOUISIANA

### NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

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#### 9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (continued)

##### Plan description (continued)

Benefit rates are 3.33 percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

##### Membership Commencing January 1, 2013

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

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are 3 percent and 2.50 percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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

##### Cost of Living Adjustments

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

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

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

## TOWN OF SAREPTA, LOUISIANA

### NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

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#### **9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (continued)**

##### Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

##### Initial Benefit Option Plan

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

##### **Employer Contributions**

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

For the year ended June 30, 2018, total contributions due from employers and employees was 40.75 percent of annual covered payroll. The Town of Sarepta, Louisiana's contributions to the System, for the years ending June 30, 2018, 2017, and 2016 are \$0, \$4,762, and \$8,850, respectively.

##### **Non-employer Contributions**

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions during the measurement period of \$1,993 are recognized as revenue and are excluded from pension expense.

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

At June 30, 2018, the Town reported a liability of \$43,862 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.005024%, which was a decrease of 0.005686% from its proportion measured as of June 30, 2016.

**TOWN OF SAREPTA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS**

As of and for the Year Ended June 30, 2018

**9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2018, the Town recognized pension benefit of \$38,612 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 287	\$ 337
Changes of assumptions	3,121	-
Net difference between projected and actual earnings on pension plan investments	1,920	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	56,401
Differences between employer and proportionate share of contributions	-	3,722
Total	\$ 5,328	\$ 60,460

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

Year ended June 30:	
2019	\$ (31,217)
2020	(11,755)
2021	(10,203)
2022	(1,959)

**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. The components of the net pension liability of the System's employers as of June 30, 2017, are as follows:

Total Pension Liability	\$ 146,604
Plan Fiduciary Net Position	(102,742)
Total Net Pension Liability	\$ 43,862

**TOWN OF SAREPTA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS**

As of and for the Year Ended June 30, 2018

**9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (continued)**

The actuarial assumptions used in the June 30, 2017, valuation were based on the assumptions used in the June 30, 2017, actuarial funding valuation, and were based on the results of any actuarial experience study for the period July 1, 2009—June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017, are as follows:

Valuation Date	June 30, 2017	
Actuarial Cost Method	Entry Age Normal Cost	
Investment Rate of Return	7.325%, net of investment expense	
Expected Remaining Service Lives	4 years	
Inflation Rate	2.700%	
Salary increases, including inflation and merit	Years of Service	Salary Growth Rate
	1-2	9.75%
	3-23	4.75%
	over 23	4.25%
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.  RP-2000 Disables Lives Table set back 5 yers for males and set back 3 years for females for disabled annuitants.  RP-2000 Employee Table set back 4 years for males and 3 years for females for active members	
Cost-of-living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

**Actuarial Methods and Assumptions (continued)**

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

**TOWN OF SAREPTA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS**

As of and for the Year Ended June 30, 2018

**9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (continued)**

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2017, are summarized in the following table:

Asset Class	June 30, 2017	
	Target Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	53%	3.66%
Fixed Income	21%	0.52%
Alternatives	20%	1.10%
Other	6%	0.16%
Totals	100%	5.44%
Inflation		2.75%
Expected Nominal Return		8.19%

The discount rate used to measure the total pension liability was 7.325%. 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 Town's proportionate share of the net pension liability calculated using the discount rate of 7.325%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.325%) or one percentage point higher (8.325%) than the current rate as of June 30, 2017:

	Changes in Discount Rate		
	1% Decrease	Discount Rate	1% Increase
	6.325%	7.325%	8.325%
Net Pension Liability	\$ 60,599	\$ 43,862	\$ 29,820

**Changes in Net Pension Liability**

The changes in the net pension liability for the year ended June 30, 2018, were recognized in the current reporting period as pension expense except as follows:

**Differences between Expected and Actual Experience:**

Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability 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.

## TOWN OF SAREPTA, LOUISIANA

### NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

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#### **9. MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (SYSTEM) (continued)**

##### **Differences between Projected and Actual Investment Earnings:**

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 or Other Inputs:**

Changes of assumptions about future economic or demographic factors or of other inputs 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.

##### **Change in Proportion:**

Changes in the employer's proportionate shares 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 a 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.

##### **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. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

##### **Retirement System Audit Report**

Municipal Police Employees Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2016. Access to the audit report can be found on the Office of Louisiana Legislative Auditor's official website: [www.la.state.la.us](http://www.la.state.la.us).

##### **Estimates**

The process of preparing the schedule of employer allocations and schedule of pension amounts in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Accordingly, actual results may differ from estimated amounts.

#### **10. COMMITMENTS AND CONTINGENCIES**

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

#### **11. RELATED PARTY TRANSACTIONS**

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended June 30, 2018.

## **TOWN OF SAREPTA, LOUISIANA**

### **NOTES TO THE FINANCIAL STATEMENTS**

As of and for the Year Ended June 30, 2018

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#### **12. ON-BEHALF PAYMENTS**

One employee received a total of \$6,617 in police supplemental pay from the State of Louisiana. The Town is responsible for withholding taxes from these employees and paying the Town's matching portion of social security taxes for the amount of supplemental pay received. The Town must recognize this supplemental pay received by the employees as revenues and expenses. The revenue is reported in the general fund under intergovernmental revenues and the expenditure is reported in public safety expenditures.

#### **14. SUBSEQUENT EVENT**

Management has performed an evaluation of the Town of Sarepta's activities through December 3, 2018, and has concluded that there are no significant events requiring recognition or disclosure through the date and time these financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

**TOWN OF SAREPTA, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive(Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes				
Ad valorem taxes	\$ 123,000	\$ 123,000	\$ 132,085	\$ 9,085
Sales taxes	77,000	77,000	78,142	1,142
Franchise taxes	55,000	55,000	64,300	9,300
Licenses and permits	6,075	6,075	5,716	(359)
Fines and forfeitures	60,060	60,150	82,413	22,263
Intergovernment				
State: One-behalf payments	-	-	6,617	6,617
Local: Webster Parish Police Jury	13,042	13,042	-	(13,042)
Parks and recreation	12,400	13,000	18,969	5,969
Contributions	1,600	1,600	7,489	5,889
Sale of property	-	-	7,000	7,000
Interest	-	-	1,001	1,001
Other	5,132	5,132	4,968	(164)
Transfers in	55,232	55,232	-	(55,232)
	<u>408,541</u>	<u>409,231</u>	<u>408,700</u>	<u>(531)</u>
Total Revenues				
<b>Expenditures:</b>				
Current				
General government	340,781	394,206	161,145	233,061
Public Safety: Police	12,800	12,800	144,563	(131,763)
Public Works: Streets and right of ways	24,000	24,000	45,176	(21,176)
Parks and recreation	17,700	17,700	29,440	(11,740)
Capital outlays	13,260	32,450	-	32,450
Transfers out	-	-	67,287	(67,287)
	<u>408,541</u>	<u>481,156</u>	<u>447,611</u>	<u>33,545</u>
Total Expenditures				
Net change in Fund Balance	<u>-</u>	<u>(71,925)</u>	<u>(38,911)</u>	<u>33,014</u>
Fund balance, beginning of year	467,072	467,072	467,072	-
Fund balance, end of year	<u>\$ 467,072</u>	<u>\$ 395,147</u>	<u>\$ 428,161</u>	<u>\$ 33,014</u>

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

**TOWN OF SAREPTA, LOUISIANA**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

For the year ended June 30, 2018

**Municipal Police Employee's Retirement System:**

Fiscal Year	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered- Employee Payroll	Employer's 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
2018	0.50240%	\$ 43,862	\$ -	n/a	70.08%
2017	0.01071%	\$ 100,383	\$ 15,000	669.22%	66.00%
2016	0.01210%	\$ 94,799	\$ 32,000	296.25%	70.73%
2015	0.02172%	\$ 135,857	\$ 32,367	419.74%	75.10%

\*The amounts presented have a measurement date of the previous fiscal year end.

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

**TOWN OF SAREPTA, LOUISIANA**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
For the year ended June 30, 2018

**Municipal Police Employee's Retirement System:**

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2018	\$ -	\$ -	\$ -	-	n/a
2017	\$ 4,762	\$ 4,762	\$ -	15,000	31.75%
2016	\$ 8,850	\$ 8,850	\$ -	30,000	29.50%
2015	\$ 10,196	\$ 10,196	\$ -	32,367	31.50%

\*The amounts presented have a measurement date of the previous fiscal year end.

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

## TOWN OF SAREPTA, LOUISIANA

### NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

As of and for the year ended June 30, 2018

#### **Budgetary Information**

The Town of Sarepta, Louisiana's budget is prepared in accordance with accounting principles generally accepted in the United States of America.

The Mayor and Town Clerk prepare a proposed budget and submit the same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The proposed budget is reviewed by the board of aldermen and made available to the public. At least ten days after publication of the call for a public hearing, the Town holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the Board of Aldermen as a whole. The budget is then adopted through the passage of an ordinance during the June meeting.

The budget is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditures. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions.

Through the budget, the town allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the Town's economic resources. It establishes the foundation of effective financial planning by providing resource planning, performance measures, and controls that permit the evaluation and adjustment of the Town's performance.

The Louisiana Local Government Budget Act provides that "the total proposed expenditures shall not exceed the total of estimated funds available for the ensuing year." The "total estimated funds available" is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year. Actual revenues were less than budgeted revenues by less than 1%. Actual expenditures were less than budgeted expenditures. The Town is in compliance with the Louisiana Local Government Budget Act.

Expenditures may not legally exceed appropriations at the fund level. Appropriations that are not expended lapse at year-end. The budget comparison schedule presents the original adopted budget and the final amended budget. The budget for the fiscal year ended June 30, 2018, was adopted on June 13, 2017, and amended on October 10, 2017 and June 12, 2018.

#### **Pension Information**

The schedule of the Town of Sarepta's proportionate share of the net pension liability and the schedule of the Town of Sarepta's pension contributions are intended to show information for 10 years. Additional years will be displayed as they become available.

## OTHER SUPPLEMENTAL INFORMATION

## TOWN OF SAREPTA, LOUISIANA

## SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

For the year ended June 30, 2018

Agency Head Name: Peggy Adkins, Mayor

Purpose	Amount
Salary	12,000
Benefits-insurance (Medicare)	174
Benefits-retirement (Social Security)	744
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	655
Dues	-
Reimbursements	-
Travel	1,334
Registration fees	188
Conference travel	-
Continuing professional education fees	-
Housing	-
Other	-
Special meals	-
Total	\$ 15,095

See independent auditor's report

**Town of Sarepta, Louisiana**  
**SCHEDULE OF INSURANCE**  
June 30, 2018

Coverage	Inception Date	Expiration Date	Limits of Liability	Deductible Amount
<u>Business Automobile Combined Limit</u>	7/15/2017	7/15/2018	\$ 1,000,000 Per Accident	ACV
<u>General/Professional Liability</u>	7/15/2017	7/15/2018		
Personal Injury and Advertising Injury			\$ 1,000,000 Per Occurrence	\$ 0 per occurrence
General Aggregate			\$ 1,000,000 Aggregate per Coverage	
Products--Completed Operations			\$ 1,000,000 Aggregate	
Damage To Premises Rented to You			\$ 50,000 Any One Premises	
Medical Expense			excluded Per Accident	
<u>Public Officials &amp; Management Liability</u>	7/15/2017	7/15/2018		
Aggregate Limit			\$ 1,000,000	\$ -
Wrongful Acts/Employee Practices/Employee Benefit Plans			\$ 1,000,000 Per Occurrence	\$ 5,000
Action for Injunctive Relief			\$ 5,000 Per Occurrence	\$ 1,000
<u>Law Enforcement Liability</u>	7/15/2017	7/15/2018		
Aggregate Limit			\$ 1,000,000 Per Loss	
Each Wrongful Act			\$ 1,000,000 Per Occurrence	\$ 5,000
<u>Property and Contents</u>	7/15/2017	7/15/2018		
Commerical Equipment			\$ 48,500 Per schedule	\$ 1,000
Real Property			\$ 723,380 Buildings	
			as per scheduled property value	\$ 1,000
Borrowed, Rented, or Leased				
<u>Workmen's Compensation</u>	7/15/2017	7/15/2018	\$ 100,000 Each accident	
			\$ 500,000 Disease policy limit	
			\$ 100,000 Disease each employee	

These insurance policies were renewed for the following year on July 15, 2018.

See independent auditor's report

**Town of Sarepta, Louisiana**  
**SCHEDULE OF SEWER RATES**  
June 30, 2018

	<u>Usage</u>	<u>Flat Fee</u>
<b>Residential:</b>	Not applicable	\$ 35.00 per month
<b>Commercial:</b>	Not applicable	\$ 60.00 per month

See independent auditor's report

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING  
STANDARDS* and the *LOUISIANA GOVERNMENTAL AUDIT GUIDE*



## Dees Gardner, Certified Public Accountants, LLC

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Maura Dees Gardner, CPA, CFE

Mansfield, Louisiana

Phone No. 318-872-3007

Fax No. 318-872-1357

### **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Peggy Adkins  
And the Members of the Town Council of  
Town of Sarepta, Louisiana

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and general fund of the Town of Sarepta, Louisiana as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Sarepta, Louisiana's basic financial statements and have issued our report thereon dated December 3, 2018.

#### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, which we consider to be material weaknesses: 2018-01

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sarepta, Louisiana's, financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Town of Sarepta, Louisiana's Response to Findings**

Town of Sarepta, Louisiana's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Town of Sarepta, Louisiana'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 Town's internal control or on compliance. This report is an integral part of any audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 21:513 this report is a public document.

*Dees Gardner, Certified Public Accountants, LLC*

Mansfield, Louisiana  
December 3, 2018

## AUDIT FINDINGS

**TOWN OF SAREPTA, LOUISIANA**  
Schedule of Findings and Responses  
For the Year ended June 30, 2018

**SUMMARY OF AUDITOR'S REPORTS**

INDEPENDENT AUDITOR'S REPORT:

We have audited the basic financial statements of Town of Sarepta, Louisiana as of and for the year ended June 30, 2018, and have issued our report thereon dated December 3, 2018, 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. Our audit of the basic financial statements as of June 30, 2018, resulted in an unmodified opinion.

REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL AND OTHER MATTERS TO THE FINANCIAL STATEMENTS:

Internal Control

Significant Deficiency	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Material Weakness	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Compliance

Compliance Material to Financial Statements	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Other Matters	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

FEDERAL AWARDS

Not applicable

MANAGEMENT LETTER

None.

**Part II. Findings relating to the Financial Statements which are required to be reported under *Government Auditing Standards*.**

FINDINGS RELATED TO INTERNAL CONTROL

**2018-01.** Inadequate design of internal control over financial statement preparation.

Criteria: In the past, auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 112 expands management's responsibility to ensure the propriety and completeness of the financial statements and related footnotes.

Effect: The Town's management may not identify material misstatements in the financial statements.

Finding: The Town of Sarepta, Louisiana's staff responsible for preparation of the financial statements and related footnote disclosure in accordance with generally accepted accounting principles (GAAP) lacks the resources and/or knowledge necessary to internally complete the reporting requirements.

Recommendation: The Town should either: 1) obtain the resources and/or knowledge necessary to internally prepare or review the auditor's preparation of the financial statements and related footnote disclosures in accordance with GAAP, or 2) determine if the cost of 1) overrides the benefit of correcting this control deficiency.

Management's Response: The Town no longer contracts with an outside accounting firm to prepare for the annual audit. The Town determined the cost did not override the benefit of correcting this control deficiency at this time, but will pursue a correction in the future

#### FINDINGS RELATED TO COMPLIANCE

None.

**TOWN OF SAREPTA, LOUISIANA**  
Summary Schedule of Prior Year Findings  
For the year ended June 30, 2018

The prior year's financial statements, for the year ended June 30, 2017, were reviewed.

**Budgeting** Actual expenditures were 6.39% more than budgeted expenditures. The Town was not in compliance with the Louisiana Local Budget Act. The issue has been resolved.

**Louisiana Audit Law** Louisiana R.S. 24:513(A)(5)(a) requires financial reporting to the Legislative Auditor be completed within six months of the close of the fiscal year. The Town did not report until January 31, 2018. The issue has been resolved.



# Dees Gardner, Certified Public Accountants, LLC

Deborah D. Dees, CPA/CFF

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122 Jefferson Street

Mansfield, Louisiana 71052

## **Independent Accountant's Report On Applying Agreed-Upon Procedures**

To the Honorable Peggy Adkins, Mayor  
and the Members of the Board of Aldermen  
Town of Sarepta, Louisiana, and the  
Louisiana Legislative Auditor:

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

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

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

---

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

*Written policies and procedures were obtained and were found to generically address the budget preparation and adoption process but not monitoring or amending.*

- 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.

*Written policies and procedures were obtained and were not found to address the functions noted above.*

- c) **Disbursements**, including processing, reviewing, and approving.

*Written policies and procedures were obtained and were found to address the functions noted above.*

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*Written policies and procedures were obtained and were found to address procedures for a specific collection item but not a procedure(s) that cover other collections items.*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*Written policies and procedures were obtained and were not found to address reviewing and approval of time and attendance records including overtime. Policy does note that paid leave is to be approved in advance by the Mayor or Chief of Police.*

- 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.

*Written policies and procedures were obtained and were not found to address the functions noted above.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

*Written policies and procedures were obtained and were not found to address the functions noted above.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*Written policies and procedures were obtained and were found to address the functions noted above.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

*Written policies and procedures were obtained and were not found to address the functions noted above.*

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*Written policies and procedures were obtained and were not found to address the functions noted above.*

**Management Response:** *The Town will work towards adopting policies and procedures sufficient to address the above noted categories.*

### **Board or Finance Committee**

---

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

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*No exceptions were noted as a result of this procedure.*

- 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.

*No exceptions were noted as a result of this procedure.*

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

*No exceptions were noted as a result of this procedure.*

### **Bank Reconciliations**

---

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

*A listing of client bank accounts from management and management's representation that the listing is complete were obtained. The main operating account and 4 additional accounts were selected for review.*

- 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);

*Reconciliations were observed to have been prepared within 2 months of the corresponding bank account for all accounts reviewed.*

- 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

*No exceptions were noted as a result of this procedure.*

- 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.

*For three of the five accounts tested multiple items were noted to have been outstanding for more than 12 months from the closing date of the statement.*

**Management Response:** *Management will research the outstanding items noted and take the necessary actions to deal with them.*

### **Collections**

---

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

*A listing of deposits sites and management's representation that the listing is complete were obtained. The only site of the entity selected for review.*

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

*A listing of collection locations and management's representation that the listing is complete were obtained. The entity has only one permanent collection location but does have a seasonal collection*

location at a sports complex managed by the Parks and Recreation Department. Sections 5(a)-5(d) will discuss the permanent collection location. A summary of the Parks and Recreation Department with follow Section 5(d) comments.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*No exceptions were noted as a result of this procedure.*

- 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.

*For the majority of collections, a procedure was observed for entity that included separation of duties and allowed for reconciling collections to system reports to determine completeness of collections. However, the entity only has two employees that have the primary responsibilities for collections. One of said employees is only part time. Noting this limitation, it was observed that the employee that is not the primary cash collector that is responsible for preparing and reconciling deposits does commonly make collections. A separate employee to the two noted above makes the deposits which are all reviewed and approved by the Mayor.*

- 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.

*The employee noted under 5(b) that is responsible for preparing and reconciling collections but also commonly handles collections, is also responsible for posting collections to the general ledger.*

- 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

*The employee noted under 5(b) and 5(c) is also responsible for reconciling collections to the general ledger. It should be noted that the Mayor reviews and approves all deposits and reconciliations.*

*5(a)-5(d) summary for parks and recreation collection location noted under Section 5 above: Annually, for approximately two to three months the parks and recreation department manages a collection location that includes parking fee collections and concession sales collections. There are no controls in place that would allow for the confirming of these collections. It should be noted that in reviewed documentation it was observed that sales of concessions exceeded booked purchases for concession supplies by a reasonable amount. Amounts in question are not material.*

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

*No exceptions were noted as a result of this procedure.*

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

*Two deposits for each of the bank accounts selected under procedure #3 were randomly selected and supporting documentation was obtained.*

- a) Observe that receipts are sequentially pre-numbered.

*The use of sequentially numbered receipts was observed but it was noted in some cases that receipts or other such documentation was not utilized. No documentation for parks and recreation collections noted above.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*It was noted that sufficient documentation was lacking for some collections, which are not the primary collection items for the entity. No documentation for parks and recreation collections noted above.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

*No exceptions were noted as a result of this procedure.*

- 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).

*Entity is approximately ten miles from a depository location. Two collections did not include sufficient documentation to confirm timeliness. The parks and recreation collections noted were not deposited timely. No issues noted with the remaining collections reviewed.*

- e) Trace the actual deposit per the bank statement to the general ledger.

*No exceptions were noted as a result of this procedure.*

**Management Response:** *Management will review current collections procedures and make changes that are warranted given the staffing limitations of the office. In particular, management will ensure that all collections include sufficient documentation. As to Parks and Recreation collections noted, management will work to develop appropriate controls of these collections that will, at a minimum, call for more regular deposits of these collections.*

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

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- 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).

*A listing of payment processing locations and management's representation that the listing is complete were obtained. The only location of the entity selected for review.*

- 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 listing of employees involved with non-payroll purchasing and payment functions and management's representation that the listing is complete were obtained.*

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*Observed practices and documentation reviewed show that purchasing is not centralized and the entity does not utilize any purchase order or request system. Multiple employees regularly initiate and place/make purchases without specific approval. It should be noted that all disbursements for purchases are ultimately approved as noted under 9(b).*

- b) At least two employees are involved in processing and approving payments to vendors.

*No exceptions were noted as a result of this procedure.*

- 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.

*The employee responsible for processing payments is not prohibited from adding/modifying 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.

*No exceptions were noted as a result of this procedure.*

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

- a) Observe that the disbursement matched the related original invoice/billing statement.

*No exceptions were noted as a result of this procedure.*

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

*As noted under Section 9(a) purchases were observed that did not demonstrate separate initiation and approval.*

**Management Response:** Management will be working towards adopting appropriate Policies and Procedures for Purchasing and Disbursements. Procedures that will ensure proper segregation of duties will be developed keeping in mind the size and limited personnel of the Town.

#### **Credit Cards/Debit Cards/Fuel Cards/P-Cards**

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- 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.

*A listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards and management's representation that the listing was complete was obtained*

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

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

*No exceptions were noted as a result of this procedure.*

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

*No exceptions were noted as a result of this procedure.*

- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized

receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

*There was only one observed exception to the reviewed transactions which was a receipt for a meal purchase that did not identify all of the meal participants. However, it should be noted that for an office with 4 full time and approximately 17 part-time employees, there are 8 credit cards and 6 fuel cards. Credit cards appear to be a primary means of making purchases for the entity and good controls are not present that require separation of duties in the purchase initiation and approval process.*

**Management Response:** Management will be working towards adopting appropriate Policies and Procedures for Credit Cards and Purchasing to ensure better controls over card usage.

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

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

a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*It was observed that management did not revise the GSA allowable mileage reimbursement rate from 2016 for reimbursements made in 2017 and 2018. This resulted in 2017 reimbursements reviewed being \$0.005 per mile higher than allowable and \$0.005 lower than allowable in 2018.*

b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*No exceptions were noted as a result of this procedure.*

c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

*No exceptions were noted as a result of this procedure.*

d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions were noted as a result of this procedure.*

**Management Response:** Management will make sure current year GSA mileage rates are followed in the future.

### **Contracts**

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

*A listing of agreements/contracts and management's representation that the listing is complete were obtained. 5 contracts were selected for review.*

a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*One contract for materials just exceeded the threshold of requiring 3 telephone or facsimile quotes and none were obtained.*

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

*The entity does not have a policy regarding contracts.*

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

*No exceptions were noted as a result of this procedure.*

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*No exceptions were noted as a result of this procedure.*

**Management Response:** *Management will be working towards adopting appropriate Policies and Procedures for Contracts and will ensure that all contracts are made in accordance with Louisiana Public Bid Law.*

### **Payroll and Personnel**

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

*Obtained listing of employees/elected officials with their related salaries and management's representation that the listing was complete*

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

*No exceptions were noted as a result of this procedure.*

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

*Supervisor approval not found on attendance and leave records reviewed.*

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

*No exceptions were noted as a result of this procedure.*

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

*No exceptions were noted as a result of this procedure*

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

No exceptions were noted as a result of this procedure.

**Management Response:** *Management will begin documenting approval of attendance and leave records.*

### **Ethics**

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

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*One part time employee that is responsible for janitorial duties did not have the required ethics training.*

- 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.

*The entity does not have an ethics policy.*

**Management Response:** *Management will be working towards adopting an ethics policy which will include a requirement for all employees to complete one hour of ethics training annually.*

### **Debt Service**

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

*Not applicable to entity, no debt obtained*

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

*Listing of bonds outstanding was obtained and management's representation that the listing was complete. Supporting documentation for the reserve balances and payments were obtained for the one bond/note outstanding. No exceptions noted.*

### **Other**

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

*Management did not report any misappropriations of public funds or assets during the fiscal period.*

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

*No exceptions were noted as a result of this procedure.*

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.

*Dees Gardner, Certified Public Accountants, LLC*

Mansfield, LA  
December 3, 2018