

TOWN OF SAINT JOSEPH, LOUISIANA

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

**Town of Saint Joseph,
Saint Joseph, Louisiana
For The Year Ended June 30, 2016**

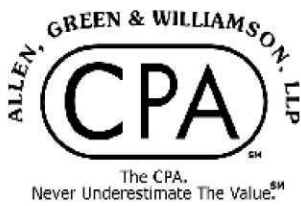
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Saint Joseph, Louisiana
For The Year Ended June 30, 2016**

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Independent Auditor's Report

To the Honorable Mayor Elvadus Fields
And the Board of Aldermen
Town of Saint Joseph, Louisiana

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Saint Joseph, Louisiana as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion on the Financial Statements as a Whole" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Town's financial statements as a whole.

An audit involves performing procedures to obtain audit evidence about 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.

Basis for Disclaimer of Opinion on the Financial Statements as a Whole

The Town has not maintained certain accounting records and supporting documentation for receivables, payables, expenditures, receipts, and minutes/ordinances and did not have adequate internal controls. In addition, we were unable to obtain a response to our legal inquiry. Therefore, we were unable to obtain sufficient appropriate audit evidence to determine whether or not these financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America. We were unable to satisfy ourselves by alternative auditing procedures.

Disclaimer of Opinion

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Financial Statements as a Whole” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements as a whole. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Employer's Proportionate Share of Net Pension Liability, Schedule of Employer Contributions to Pension Plans and the related notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

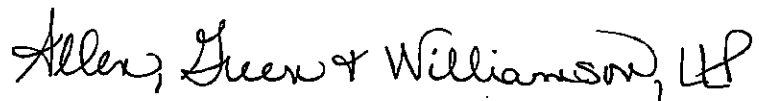
Supplementary and Other Information

We were engaged for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information, such as the combining nonmajor fund information, Schedule of Compensation Paid to Aldermen and the Schedule of Compensation, Benefits and Other Payments to Agency Head, as listed in the table of contents, and the other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary information, as listed in the table of contents, is the responsibility of management and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Because of the significance of the matter described above in the “Basis for Disclaimer of Opinion on the Financial Statements as a Whole” paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Allen, Green & Williamson, LLP". The signature is written in a cursive, flowing style.

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 28, 2017

REQUIRED SUPPLEMENTARY INFORMATION:

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

Town of Saint Joseph, Louisiana
Management's Discussion and Analysis (MD&A)
June 30, 2016

As management of the Town of Saint Joseph, Louisiana (the Town) we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; readers should also review the notes to the financial statements and financial statements to enhance their understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS Our financial statements provide these insights into the results of this year's operations:

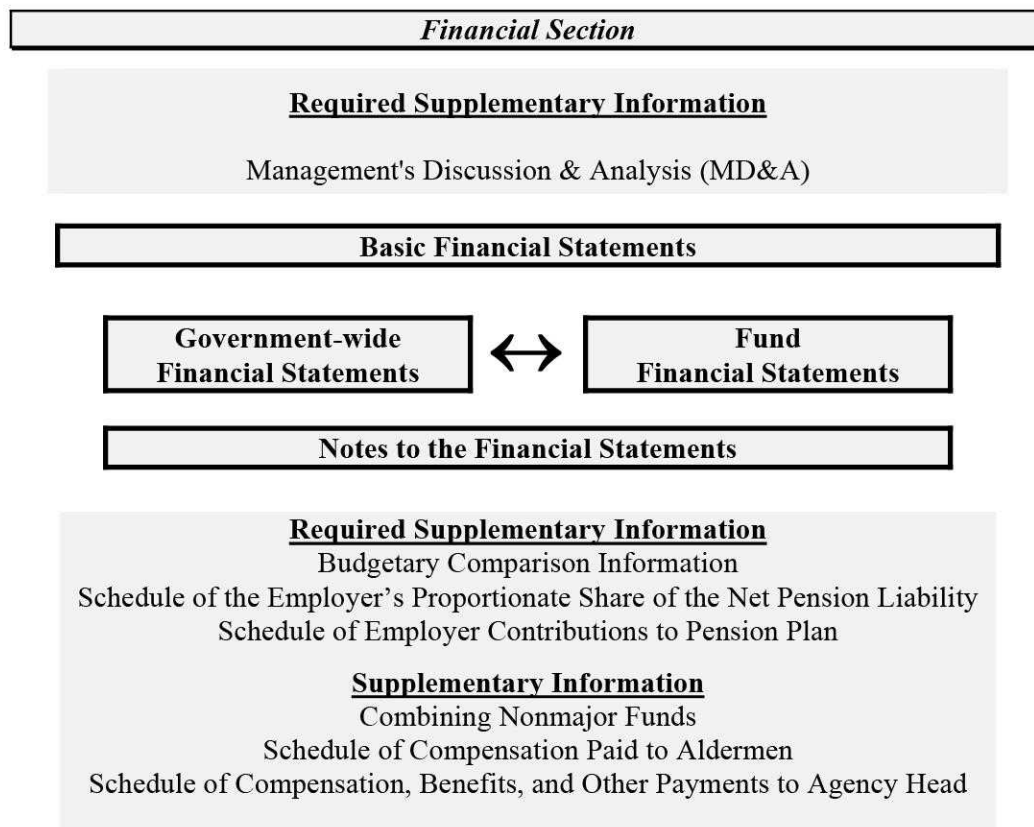
- The assets and deferred outflows of resources of the Town of Saint Joseph exceeded its liabilities and deferred outflows of resources at the close of the most recent fiscal year by \$2,102,849. Of this amount, \$55,800 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position decreased \$190,532 or 8% because revenue collections fell below the level collected in the 2015 fiscal year. Taxes and licenses and permits revenue were slightly lower while water, gas, sewer, garbage and trash services billings were significantly lower.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balances of \$149,209, a decrease of \$38,309 or 20% in comparison with the prior year. Approximately 86% of this amount (\$129,054) was available for spending at the Town's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$129,054, or approximately 31% of total general fund expenditures.

USING THIS ANNUAL REPORT

The Town's annual report consists of a series of financial statements that show information for the Town as a whole, and its funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the Town's overall financial health. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant fund, General Fund.

Town of Saint Joseph, Louisiana
Management's Discussion and Analysis (MD&A)
June 30, 2016

The following chart reflects the information included in this annual report.



The independent auditor's report is located immediately preceding the Management's Discussion and Analysis in the audited financial report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided, if any, on the basic financial statements and on the other sections of this report.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad view of the Town's finances, in a manner similar to a private sector business.

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

The Statement of Activities presents information showing how the Town'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 the 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 (e.g., uncollected taxes).

Town of Saint Joseph, Louisiana
Management's Discussion and Analysis (MD&A)
June 30, 2016

The Statement of Activities is designed to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Town's governmental activities include general government, public safety, public works, health and welfare, and recreation and culture functions.

The business-type activities of the Town include sewer, water, and gas utilities.

Fund financial statements

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

Governmental funds

Governmental 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.

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. The relationship (or differences) between the governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled in Statements D and F.

The Town maintains three governmental funds that are grouped for management purposes into various fund types. Information is presented separately in the governmental fund Balance Sheet and in the governmental Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is the only major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided to demonstrate compliance or lack thereof with the budget.

Proprietary funds

The Town maintains one type of proprietary fund - Enterprise. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses its Enterprise Funds to account for its sewer, water, and gas utilities.

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

Town of Saint Joseph, Louisiana
Management's Discussion and Analysis (MD&A)
June 30, 2016

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government entity. For the year ended June 30, 2016, the Town had no fiduciary funds.

THE TOWN AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Saint Joseph, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,102,849 at the close of the fiscal year ended June 30, 2016.

Table 1
Schedule of Net Position
June 30,

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 252,266	\$ 236,428	\$ 244,258	\$ 299,871	\$ 496,524	\$ 536,299
Capital assets, net	315,378	370,024	2,061,823	2,067,258	2,377,201	2,437,282
Total Assets	<u>567,644</u>	<u>606,452</u>	<u>2,306,081</u>	<u>2,367,129</u>	<u>2,873,725</u>	<u>2,973,581</u>
Deferred outflows of resources	<u>10,166</u>	<u>3,715</u>	<u>7,728</u>	<u>2,823</u>	<u>17,894</u>	<u>6,538</u>
Current and other liabilities	103,057	48,910	275,272	227,205	378,329	276,115
Long-term liabilities	<u>26,798</u>	<u>19,718</u>	<u>372,125</u>	<u>374,082</u>	<u>398,923</u>	<u>393,800</u>
Total Liabilities	<u>129,855</u>	<u>68,628</u>	<u>647,397</u>	<u>601,287</u>	<u>777,252</u>	<u>669,915</u>
Deferred inflows of resources	<u>6,544</u>	<u>9,560</u>	<u>4,974</u>	<u>7,263</u>	<u>11,518</u>	<u>16,823</u>
Net Position:						
Net investment in capital assets	315,378	370,024	1,710,071	1,708,159	2,025,449	2,078,183
Restricted	-	-	21,600	19,680	21,600	19,680
Unrestricted	<u>126,033</u>	<u>161,955</u>	<u>(70,233)</u>	<u>33,563</u>	<u>55,800</u>	<u>195,518</u>
Total Net Position	<u>\$ 441,411</u>	<u>\$ 531,979</u>	<u>\$ 1,661,438</u>	<u>\$ 1,761,402</u>	<u>\$ 2,102,849</u>	<u>\$ 2,293,381</u>

By far, the largest amount of the Town's net position (96%) reflects its investment in capital assets of \$2,025,449 (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves can't be used to liquidate these liabilities.

Town of Saint Joseph, Louisiana
Management's Discussion and Analysis (MD&A)
June 30, 2016

An additional portion of the Town's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$55,800 is unrestricted and may be used to meet the Town's ongoing obligations to its citizens and creditors.

The results of this year's operations for the Town as a whole are reported in the Statement of Activities. Table 2 takes the information from that statement and rearranges it slightly so that readers can see the total revenues for the year.

Table 2
Changes in Net Position
For the Years Ended June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 90,265	\$ 115,883	\$ 452,901	\$ 610,643	\$ 543,166	\$ 726,526
Operating grants	18,000	15,066	-	47,547	18,000	62,613
Capital grants	-	55,000	294,005	72,400	294,005	127,400
General Revenue:						
Ad valorem taxes	36,786	37,237	-	-	36,786	37,237
Sales and other taxes	104,081	117,328	-	-	104,081	117,328
License and permits	105,446	108,742	-	-	105,446	108,742
Income(loss) from jointly owned gas operations and maintenance fund	-	-	(25,718)	49,539	(25,718)	49,539
Other general revenue	29,384	43,792	284	44	29,668	43,836
Total Revenue	<u>383,962</u>	<u>493,048</u>	<u>721,472</u>	<u>780,173</u>	<u>1,105,434</u>	<u>1,273,221</u>
Expenses:						
General government	201,411	195,880	-	-	201,411	195,880
Public safety	118,455	147,805	-	-	118,455	147,805
Public works	140,648	131,357	-	-	140,648	131,357
Culture and recreation	14,016	10,872	-	-	14,016	10,872
Utilities	-	-	821,436	954,357	821,436	954,357
Total Expenses	<u>474,530</u>	<u>485,914</u>	<u>821,436</u>	<u>954,357</u>	<u>1,295,966</u>	<u>1,440,271</u>
Changes in Net Position	(90,568)	7,134	(99,964)	(174,184)	(190,532)	(167,050)
Net Position, Beginning, as originally stated	531,979	554,230	1,761,402	1,957,911	2,293,381	2,512,141
Prior period adjustment	-	(29,385)	-	(22,325)	-	(51,710)
Net Position, Beginning, as restated	<u>531,979</u>	<u>524,845</u>	<u>1,761,402</u>	<u>1,935,586</u>	<u>2,293,381</u>	<u>2,460,431</u>
Net Position, Ending	<u>\$ 441,411</u>	<u>\$ 531,979</u>	<u>\$ 1,661,438</u>	<u>\$ 1,761,402</u>	<u>\$ 2,102,849</u>	<u>\$ 2,293,381</u>

Town of Saint Joseph, Louisiana
Management's Discussion and Analysis (MD&A)
June 30, 2016

Governmental activities

In the current year, governmental activities had a decrease of \$90,568 in net position, compared to \$7,134 increase in the prior year.

Licenses and permits, which provided \$105,446 or 27% of revenue, was the largest source of general revenues for the Town's governmental activities. Licenses and permits experienced a decrease in collections of \$3,296 over the amounts reported in 2015. Sales and other taxes revenue was second at \$104,081 or 27%. Sales and other taxes also experienced a decline of \$13,247 from the amounts collected in 2015. Charges for services (garbage collection fees) provided \$90,265 is the third largest source of revenue of governmental activities for fiscal year 2016. Garbage collection fees declined \$25,618 from fees earned in fiscal year 2015. The Town's governmental activities operating and capital grants revenues decreased \$52,066.

The cost of all governmental activities this year was \$474,530. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$366,265 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

Table 3 below presents the cost of each of the Town's governmental activities as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3
Governmental Activities
Fiscal Years Ended June 30,

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	2016	2015	Change	2016	2015	Change
Governmental activities						
General government	\$ 201,411	\$ 195,880	\$ 5,531	\$ 201,411	\$ 195,880	\$ 5,531
Public safety	118,455	147,805	(29,350)	100,455	132,739	(32,284)
Public works	140,648	131,357	9,291	50,383	(19,006)	69,389
Culture and recreation	14,016	10,872	3,144	14,016	(9,648)	23,664
Total functions/program expenses	\$ 474,530	\$ 485,914	\$(11,384)	\$ 366,265	\$ 299,965	\$ 66,300

Business-type activities

The decrease in net position for business-type operations for the current year was \$99,964 compared to a decrease of \$174,184 in the prior year. Charges for services, operating grants and income from jointly owned joint gas line decreased \$157,742, \$47,547 and \$75,257, respectively while capital grants increased \$221,605. Charges for services decrease is due to billings to customers that were lower than 2015 billings. Capital grants increase is due to grant funding received for the elevated water tower and water system rehabilitation projects. Expenses decreased \$132,921 or 14% due to reduced spending.

Financial Analysis of the Governmental Funds

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

Town of Saint Joseph, Louisiana
Management's Discussion and Analysis (MD&A)
June 30, 2016

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned 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 fiscal year, the Town's governmental funds reported combined ending fund balances of \$148,209, a decrease of \$38,309, when compared with the prior year. \$129,054 of this total fund balance constitutes unassigned fund balance, which is available for spending at the Town's discretion and \$20,155 is assigned to specific purposes.

The general fund is the chief operating fund of the Town of Saint Joseph. At the end of the current fiscal year, fund balance of the general fund was \$129,054 which is a decrease of \$38,309 from the \$167,363 fund balance reported for the prior fiscal year. Revenues decreased from the \$491,899 reported in fiscal 2015 to \$383,014, a decrease of \$108,885 or 22%. This decrease is due to lower tax, license, and permit collections. Expenses decreased \$64,689 or 13% from a reduction in spending.

General Fund Budgetary Highlights

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA - R.S. 39:1301 et seq.), the Town must adopt a budget for the General Fund and all Special Revenue funds prior to June 30. The original budget for the Town was adopted on June 10, 2015. The budgeted revenues exceeded actual amounts by \$29,331 for the year ending June 30, 2016. This difference was primarily because actual revenue collected were less than expected collections. The actual expenditures exceeded budgeted amounts by \$37,000, primarily because of operating expenses increased more than expected. There were no approved budget revisions for fiscal year ended June 30, 2016.

Capital Assets and Debt Administration

Capital assets

As for the year ended June 30, 2016, the Town had \$2,377,201 (net of accumulated depreciation) invested in a broad range of capital assets including land, buildings, improvements, machinery and equipment for its governmental and business-type activities. This amount represents a net decrease (including construction in progress additions of \$294,005 and depreciation of \$354,086) of \$60,081, or 2.5%.

Town of Saint Joseph, Louisiana
Management's Discussion and Analysis (MD&A)
June 30, 2016

The following is a summary of the Town's capital assets:

Capital Assets
June 30,

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Nondepreciable assets:						
Land	\$ 43,915	\$ 43,915	\$ 7,886	\$ 7,886	\$ 51,801	\$ 51,801
Construction in progress	-	-	366,905	72,900	366,905	72,900
Depreciable assets, net:						
Buildings	78,186	89,531	-	-	78,186	89,531
Walking trail	82,581	87,459	-	-	82,581	87,459
Water system	-	-	676,235	910,744	676,235	910,744
Gas system	-	-	67,741	79,865	67,741	79,865
Sewer system	-	-	647,234	689,054	647,234	689,054
Equipment	110,696	149,119	1,819	4,407	112,515	153,526
Amphitheatre	-	-	294,003	302,402	294,003	302,402
Total depreciable assets, net	<u>271,463</u>	<u>326,109</u>	<u>1,687,032</u>	<u>1,986,472</u>	<u>1,958,495</u>	<u>2,312,581</u>
Total capital assets, net	<u>\$ 315,378</u>	<u>\$ 370,024</u>	<u>\$ 2,061,823</u>	<u>\$ 2,067,258</u>	<u>\$ 2,377,201</u>	<u>\$ 2,437,282</u>

More detailed information about the Town's capital assets is presented in Note 6 of the Notes to the Financial Statements.

Long-term Debt

The Town's business-type activities has one long-term bond debt at June 30, 2016, which was a \$423,000 revenue bond dated January 26, 2004. Installments are due in monthly payments of \$1,599 through January 26, 2044, with interest at 3.25%. The proceeds of these bonds were used to construct a water treatment plant. The outstanding balance at June 30, 2016, was \$351,752.

Another obligation for both the governmental and business-type activities is the net pension liability. We present more detailed information about our long-term liabilities in Note 8 of the Notes to the Financial Statements.

Current Financial Factors

In the fiscal year 2016, the Town adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- *Statement No. 72 - Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- *Statement No. 73 - Accounting and Financial reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendment to Certain Provision of GASB Statements 67 and 68:* This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement 68, as well as for the assets accumulated for purposes of providing those pensions. It also

Town of Saint Joseph, Louisiana
Management's Discussion and Analysis (MD&A)
June 30, 2016

amends certain provisions of Statement 67 and 68 that are within their respective scopes. This statement also clarifies the application of certain provisions of Statements 67 and 68.

The adoption of these standards had no impact on the government-wide or the governmental fund financial statements, but provide for guidance, clarifications and/or additional disclosures in the notes to the financial statements and required supplementary information related to pensions.

Economic Factors and Future Outlook

The Town's budgeted revenues and expenditures for 2017 are comparable to 2016's actual revenues and expenditures. The Town does not anticipate any changes in its day-to-day operations that will have a material effect on its 2017 budget of the general fund.

However, the Town does expect to receive several capital improvement grants in the utility fund. These expected grant revenues are as follows:

- A. \$7,600,000 state capital outlay appropriation for water distribution lines, water plant facility improvements and water well replacement
- B. \$250,000 emergency grant to replace water distribution lines
- C. \$480,000 grant to renovate the Town's elevated water tank
- D. \$497,000 grant from Delta Regional Authority for water system improvements

Requests for Information

This financial report is designed to provide a general overview of the Town of Saint Joseph's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to David Greer, Fiscal Administrator, Town of Saint Joseph; P.O. Box 217; Saint Joseph, LA 71366.

BASIC FINANCIAL STATEMENTS:
GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF SAINT JOSEPH, LOUISIANA

STATEMENT OF NET POSITION
June 30, 2016

Statement A

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 44,738	\$ 60,855	\$ 105,593
Receivables, net	30,536	211,811	242,347
Internal balances	176,992	(176,992)	-
Gas utility deposit	-	35,000	35,000
Restricted assets:			
Cash and cash equivalents	-	78,214	78,214
Investment in jointly owned gas line operation and maintenance fund	-	35,370	35,370
Capital assets:			
Land and construction in progress	43,915	374,791	418,706
Depreciable assets, net of depreciation	271,463	1,687,032	1,958,495
TOTAL ASSETS	567,644	2,306,081	2,873,725
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	10,166	7,728	17,894
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,166	7,728	17,894
LIABILITIES			
Accounts payable and accrued expenses	91,907	213,852	305,759
Accrued payroll and benefits	11,150	4,806	15,956
Payable from restricted assets - customer and utility payments	-	56,614	56,614
Long term liabilities:			
Due within one year	-	7,872	7,872
Due in more than one year	26,798	364,253	391,051
TOTAL LIABILITIES	129,855	647,397	777,252
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	6,544	4,974	11,518
TOTAL DEFERRED INFLOWS OF RESOURCES	6,544	4,974	11,518
NET POSITION			
Net investment in capital assets	315,378	1,710,071	2,025,449
Restricted for debt service	-	21,600	21,600
Unrestricted	126,033	(70,233)	55,800
TOTAL NET POSITION	\$ 441,411	\$ 1,661,438	\$ 2,102,849

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TOWN OF SAINT JOSEPH, LOUISIANA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	\$ 201,411	\$ -	\$ -	\$ -
Public safety	118,455	-	18,000	-
Public works	140,648	90,265	-	-
Culture and recreation	14,016	-	-	-
Total Governmental Activities	474,530	90,265	18,000	-
Business-type activities:				
Utility fund	821,436	452,901	-	294,005
Total Business-Type Activities	821,436	452,901	-	294,005
Total Government	\$ 1,295,966	\$ 543,166	\$ 18,000	\$ 294,005

General revenues:

Taxes:

 Ad valorem taxes

 Sales taxes

Licenses and permits

Fines and forfeitures

Use of money and property

Miscellaneous

Income (loss) from jointly owned gas line
operation and maintenance fund

Total general revenues

Changes in net position

Net position - beginning

Net position - end of year

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

Statement B

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (201,411)	\$ -	\$ (201,411)
(100,455)	-	(100,455)
(50,383)	-	(50,383)
(14,016)	-	(14,016)
(366,265)	-	(366,265)
-	(74,530)	(74,530)
-	(74,530)	(74,530)
(366,265)	(74,530)	(440,795)
36,786	-	36,786
104,081	-	104,081
105,446	-	105,446
7,255	-	7,255
15,465	284	15,749
6,664	-	6,664
-	(25,718)	(25,718)
275,697	(25,434)	250,263
(90,568)	(99,964)	(190,532)
531,979	1,761,402	2,293,381
\$ 441,411	\$ 1,661,438	\$ 2,102,849

**BASIC FINANCIAL STATEMENTS:
FUND FINANCIAL STATEMENTS**

TOWN OF SAINT JOSEPH, LOUISIANA

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2016

Statement C

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
ASSETS			
Cash and cash equivalents	\$ 37,514	\$ 7,224	\$ 44,738
Receivables	30,536	-	30,536
Interfund receivables	164,061	12,931	176,992
TOTAL ASSETS	232,111	20,155	252,266
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued expenses	91,907	-	91,907
Accrued payroll and benefits	11,150	-	11,150
TOTAL LIABILITIES	103,057	-	103,057
FUND BALANCES:			
Assigned	-	20,155	20,155
Unassigned	129,054	-	129,054
TOTAL FUND BALANCES	129,054	20,155	149,209
TOTAL LIABILITIES AND FUND BALANCES	\$ 232,111	\$ 20,155	\$ 252,266

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TOWN OF SAINT JOSEPH, LOUISIANA

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2016

Statement D

Total fund balances - governmental funds \$ 149,209

The cost of capital assets (land, buildings, furniture and equipment and infrastructure) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the Town as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Costs of capital assets	\$ 1,096,071	
Accumulated depreciation	<u>(780,693)</u>	315,378

Deferred outflows of resources are not available to pay current period expenditures, and therefore, are not reported in the governmental funds. 10,166

Deferred inflows of resources are not due and payable in the current period and accordingly are not reported in the governmental funds. (6,544)

Long-term liabilities are not due and payable in the current period and accordingly, are not reported as fund liabilities. All liabilities - both current and long-term are reported in the Statement of Net Position.

Net pension liability		<u>(26,798)</u>
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Total net position - governmental activities		<u>\$ 441,411</u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TOWN OF SAINT JOSEPH, LOUISIANA

GOVERNMENTAL FUNDS
 Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2016

Statement E

	GENERAL	NONMAJOR GOVERNMENTAL	TOTAL
REVENUES			
Local sources:			
Taxes:			
Ad valorem	\$ 36,786	\$ -	\$ 36,786
Sales and use	104,081	-	104,081
Charges for services	90,265	-	90,265
Licenses, permits and commission for services	105,446	-	105,446
Intergovernmental revenues - State	18,000	-	18,000
Fines and forfeitures	7,255	-	7,255
Use of money and property	15,465	-	15,465
Miscellaneous revenues	5,716	-	5,716
Total revenues	<u>383,014</u>	<u>-</u>	<u>383,014</u>
EXPENDITURES			
Current:			
General government	191,244	-	191,244
Public safety	101,993	-	101,993
Public works	118,948	-	118,948
Culture and recreation	9,138	-	9,138
Total expenditures	<u>421,323</u>	<u>-</u>	<u>421,323</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(38,309)	-	(38,309)
FUND BALANCES - BEGINNING	<u>167,363</u>	<u>20,155</u>	<u>187,518</u>
FUND BALANCES - ENDING	<u>\$ 129,054</u>	<u>\$ 20,155</u>	<u>\$ 149,209</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TOWN OF SAINT JOSEPH, LOUISIANA

Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 to the Statement of Activities
 For the Year Ended June 30, 2016

Statement F

Total net change in fund balances - governmental funds \$ (38,309)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ -	
Depreciation	<u>(54,646)</u>	(54,646)

The recognition of pension expense in the Statement of Activities is based on projected benefit payments discounted to actuarial present value and attributed to periods of employee service. Pension expenditures in the governmental funds are the amounts actually paid.

2,387

Total net change in net position - governmental activities \$ (90,568)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TOWN OF SAINT JOSEPH, LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Net Position

June 30, 2016

Statement G

UTILITY
FUND

ASSETS

Current Assets:

Cash and cash equivalents

\$ 60,855

Receivables, net

211,811

Total Current Assets

272,666

Noncurrent Assets:

Gas utility deposit

35,000

Restricted cash and cash equivalents

78,214

Investment in jointly owned gas line operation and
maintenance fund

35,370

Capital Assets

Land and construction in progress

374,791

Depreciable assets, net of depreciation

1,687,032

Total Noncurrent Assets

2,210,407

TOTAL ASSETS

2,483,073

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions

7,728

TOTAL DEFERRED OUTFLOWS OF RESOURCES

\$ 7,728

(CONTINUED)

TOWN OF SAINT JOSEPH, LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 Statement of Net Position
 June 30, 2016

Statement G

UTILITY
 FUND

LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 213,852
Accrued payroll and benefits	4,806
Interfund payables	176,992
Revenue bonds payable	7,872
Total Current Liabilities	<u>403,522</u>
Liabilities payable from restricted assets:	
Customer deposits	43,820
Utility payments	12,794
Total Liabilities Payable from Restricted Assets	<u>56,614</u>
Noncurrent Liabilities:	
Revenue bonds payable	343,880
Net pension liability	20,373
Total Noncurrent Liabilities	<u>364,253</u>
TOTAL LIABILITIES	<u>824,389</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	4,974
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,974</u>
NET POSITION	
Net investment in capital assets	1,710,071
Restricted for debt service	21,600
Unrestricted	(70,233)
TOTAL NET POSITION	<u>\$ 1,661,438</u>

(CONCLUDED)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TOWN OF SAINT JOSEPH, LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Revenues, Expenses,
and Changes in Fund Net Position
For the Year Ended June 30, 2016

	Statement H
	UTILITY FUND
OPERATING REVENUES	
Water sales	\$ 217,873
Gas sales	124,370
Sewer sales	84,330
Penalties	5,069
Other operating revenue	21,259
Total operating revenues	<u>452,901</u>
OPERATING EXPENSES	
Water expenses	300,129
Gas expense	135,254
Sewer expense	50,870
Depreciation	299,440
General and administrative	23,904
Total operating expenses	<u>809,597</u>
OPERATING INCOME (LOSS)	<u>(356,696)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	284
Income (loss) from jointly owned gas line operation and maintenance fund	(25,718)
Interest expense	(11,839)
Total nonoperating revenues (expenses)	<u>(37,273)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(393,969)
Capital contributions	<u>294,005</u>
NET CHANGE IN NET POSTION	(99,964)
NET POSITION - BEGINNING	<u>1,761,402</u>
NET POSITION - ENDING	<u>\$ 1,661,438</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TOWN OF SAINT JOSEPH, LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Cash Flows
For the Year Ended June 30, 2016

Statement I

UTILITY
FUND

CASH FLOW (USES) FROM OPERATING ACTIVITIES

Cash received from customers	\$ 428,940
Cash paid for employee services and benefits	(135,528)
Payments to others	(335,775)
Other receipts	21,259
Net cash provided (used) for operating activities	<u>(21,104)</u>

CASH FLOW (USES) FROM INVESTING ACTIVITIES

Earnings on investments	284
Net cash provided (used) for investing activities	<u>284</u>

CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:

Operating grants	5,497
Net cash provided (used) for noncapital financing activities	<u>5,497</u>

**CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING
ACTIVITIES:**

Capital grant	248,420
Acquisition of capital assets	(253,914)
Principal payment bonds	(7,348)
Interest & penalties paid on debt	(11,839)
Net cash provided (used) for capital and related financing activities	<u>(24,681)</u>

Net increase (decrease) in cash and cash equivalents (40,004)

CASH AND CASH EQUIVALENTS - BEGINNING 179,073

CASH AND CASH EQUIVALENTS - ENDING 139,069

RECONCILIATION TO BALANCE SHEET

Cash	60,855
Restricted assets - cash	78,214
	<u>139,069</u>
	<u>\$ 139,069</u>

(CONTINUED)

TOWN OF SAINT JOSEPH, LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Cash Flows

For the Year Ended June 30, 2016

	Statement I
	<u>UTILITY FUND</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (356,696)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	299,440
(Increase) decrease in operating accounts receivable	(2,702)
(Increase) decrease in interfund receivable	-
(Increase) decrease in deferred outflows of resources	(4,905)
Increase (decrease) in operating accounts payable and accrued expense	16,253
Increase (decrease) in accrued payroll and benefits	(4,365)
Increase (decrease) in interfund payable	32,677
Increase (decrease) in deposits due others	(2,685)
Increase (decrease) in utility payment for others	(1,223)
Increase (decrease) in deferred inflows of resources	(2,289)
Increase (decrease) in net pension liability	<u>5,391</u>
Net cash provided (used) by operating activities	<u>\$ (21,104)</u>
	(CONCLUDED)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**BASIC FINANCIAL STATEMENTS:
NOTES TO THE FINANCIAL STATEMENTS**

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

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Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The accompanying financial statements include all funds and account groups of the Town of Saint Joseph, Louisiana (the Town). The accompanying financial statements of the Town have been prepared in accordance 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 Town consists of an executive branch of government headed by a mayor and a legislative branch of government consisting of five aldermen. The Town's major operations include police and fire protection, street and drainage maintenance, garbage and trash collection, and administrative services. The Town also operates a Utilities Enterprise Fund to provide gas, sewerage and water services.

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

GASB standards establish criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is accountability. These criteria include:

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

Based on the foregoing criteria, the Town does not have any component units to be reported.

The following is a summary of certain significant accounting policies and practices:

B. BASIS OF PRESENTATION

The Town's basic financial statements consist of the government-wide statements on all activities of the government and the fund statements (individual major funds, combined nonmajor funds) and related notes. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all activities of the government. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the Town as an entity and the change in the aggregate financial position resulting from the activities of the fiscal period. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Governmental Activities represent programs which normally are supported by taxes and intergovernmental revenues.

Business-type Activities are financed in whole or in part by fees charged to external parties for goods and services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense is specifically identified by function and is included in the direct expense of each function. 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 in program revenues are reported instead as general revenues.

Fund Financial Statements

The Town uses funds, both major and nonmajor, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenue and expenditures or expenses, as appropriate.

Emphasis of fund reporting is on the major fund level in either the governmental or business-type categories. Nonmajor funds (by category) or fund types are summarized into a single column in the basic financial statements.

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for a government's general activities, where the focus of attention is on the provision 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. Fiduciary funds are used to account for assets held for others. The Town's current operations require the use of the governmental and proprietary categories.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service payments and claims and judgments are recorded only when payment is due. General asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

The Town reports the following major governmental fund:

General Fund - This fund is the general operating fund of the Town. It is used to account for all financial resources of the Town except for those required to be accounted in another fund.

Revenues:

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October of each year and are actually billed to the taxpayer in November. Billed taxes become delinquent on December 31. Revenues from ad valorem taxes are budgeted in the year billed to the extent of collections expected. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tensas Parish.

Sales taxes are considered "measurable" when in the hands of the intermediary collecting governments and are recognized as revenues at that time.

Interest earnings on time deposits are recognized as revenue when the time deposits have matured and the interest is available. Substantially all other revenues are recognized when actually received by the Town.

Proprietary Funds

The Town reports one type of proprietary fund, an enterprise fund. Enterprise funds are used to account for operations (a) that financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds are presented in the business-type activities column in the government-wide financial statements and the major funds section of the basic financial statements. Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds operating and non-operating revenues and expenses:

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 revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise 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.

Revenues are recognized when they are earned and expenses are recognized when they are incurred.

The Town reports the following major enterprise fund:

Utility Fund - This fund accounts for the operations of the Town's water, sewer, and gas services.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

C. BUDGETS AND BUDGETARY ACCOUNTING

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

1. The proposed budget is submitted by the Town Clerk and the Mayor to the Board of Aldermen prior to July of the ensuing year. Notice of the location and availability of the proposed budget for the public inspection and the date of the public hearing to be conducted on the budget is then advertised in the official journal of the Town at least 15 days prior to the date of the hearing.
2. After the public hearing, the budget is adopted by passing an ordinance approving the budget at the selected June board meeting.
3. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
4. All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund; encumbrance accounting is not used by the Town.
5. Appropriations (unexpended budget balances) lapse at year end.

D. CASH, CASH EQUIVALENTS AND INVESTMENTS

Under state law, the Town may deposit in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or national banks having their principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates as a local government investment pool.

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the Statement of Cash Flows, cash and cash equivalents include all highly liquid investments (including restricted assets) with a maturity date of three months or less when purchased.

The Town participates in LAMP which is an external investment pool. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the state of Louisiana has full access to the records of LAMP.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

LAMP issues financial reports. These financial reports can be obtained by writing: LAMP, Inc., 228 Saint Charles Avenue, Suite 1123, New Orleans, LA 70130 or contact the LAMP administrative office at 800-249-5267.

E. INTERFUND RECEIVABLES AND PAYABLES

Short-term cash loans between funds are considered temporary in nature. These amounts are reported as "due from/due to other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

F. CAPITAL ASSETS

Under GASB Statement No. 34, capital assets, which include buildings, other improvements, machinery and equipment, vehicles, and furniture and fixtures, are reported and depreciated in the applicable government or business-type activities column of the governmental-wide financial statements. No long term capital assets or depreciation are shown in the governmental fund statements.

As permitted by GASB Statement No. 34, the Town has elected not to capitalize infrastructure assets retroactively such as: streets, sidewalks, drainage and street lighting.

All purchased capital assets are recorded at cost where historical records are available and at estimated cost where no historical records are available. Donated capital assets are valued at their acquisition value at date of gift. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense. Interest is capitalized on business-type activities' funds used during construction of projects acquired with bond funds. The Town maintains a threshold level of \$1,500 or more for capitalizing capital assets.

Capital assets are depreciated over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are as follows (in years):

Buildings	26 to 40 years
Water System	4 to 40 years
Sewerage System	40 years
Gas Transmission and Distribution System	40 years
Office Equipment	3 to 10 years
Equipment	3 to 20 years
Vehicles	5 years

G. LONG-TERM LIABILITIES

In the government-wide statement of net position and in the proprietary fund type financial statements, long-term debt is reported as liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) and additions to/deductions from MERS's fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

H. FUND EQUITY

GASB Statement No. 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

Nonspendable - Fund balance that is not in spendable form or legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as inventories and prepaid items.

Restricted - Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed - Fund balance that can only be used for specific purposes determined by the Town's highest level of decision making authority. The Board of Aldermen is the highest level of decision making authority for the Town. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit the funds.

Assigned - Fund balance that is constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board of Aldermen. The Town's policy does not address assignment of fund balance.

Unassigned - Fund balance that are available for any purpose. These amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, the Town uses restricted resources first, then unrestricted resources as needed. The Town reduces committed amounts, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for the purposes for which amounts in any of those unrestricted fund balances could be used.

The Town establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Aldermen through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

I. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until the future period in which it applies. In other instances, governments are required to delay recognition of increases in net position as revenues until the future period in which it applies. In these circumstances deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively. The Town reports deferred outflows and inflows of resources related to its pension plan.

J. BAD DEBTS

Uncollectible amounts for ad valorem taxes are generally not significant. As a result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The Town uses the allowance method for recognizing bad debts for customers' utility receivables.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

K. COMPENSATED ABSENCES

Vacation time is accrued based on the number of years in service. It must be used before the end of the year and cannot be carried over. Sick time is accrued at an annual rate of 80 hours per year and cannot be carried over from year to year.

L. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use by external parties such as creditors, grantors, laws or regulations of other governments. The Town first applies restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net position are available. None of the restricted net position reported in the Statement of Net Position is restricted through enabling legislation.

M. USE OF ESTIMATES

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

N. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations in Individual Funds The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 2016:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 384,323	\$ 421,323	\$ (37,000)

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2016, the Town had cash and cash equivalents totaling \$183,807 as follows:

Petty Cash	\$ 850
Demand Deposits	110,374
LAMP Deposits	72,583
Total	<u>\$ 183,807</u>

Demand deposits are stated at cost, which approximates market value. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of pledged securities plus federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The bank balance of \$120,804 was fully secured by FDIC at June 30, 2016. The Town's policy does not address custodial credit risk.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

Investments

At June 30, 2016, the Town has \$72,583 invested in the Louisiana Asset Management Pool reported as cash and cash equivalents. LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

- Credit risk: LAMP is rated AAAm by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days.
- Foreign currency risk: Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. An annual audit of LAMP is conducted by an independent certified public accountant. The Legislative Auditor of the State of Louisiana has full access to the records of the LAMP.

LAMP issues financial reports. These financial reports can be obtained by writing: LAMP, Inc., 228 Saint Charles Avenue, Suite 1123, New Orleans, LA 70130 or contact the LAMP administrative office at 800-249-5267.

NOTE 3 - RECEIVABLES

Receivables as of June 30, 2016 are comprised of the following:

Fund	Sales Tax	Accounts	Inter- Governmental	Other	Total
General Fund	\$ 8,193	\$ -	\$ 4,747	\$ 17,596	\$ 30,536
Utility Fund	-	129,449	118,485	-	247,934
Utility Fund - Allowance for Doubtful Accounts	-	(36,123)	-	-	(36,123)
Total	<u>\$ 8,193</u>	<u>\$ 93,326</u>	<u>\$ 123,232</u>	<u>\$ 17,596</u>	<u>\$ 242,347</u>

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

NOTE 4 – INTERNAL BALANCES

Due from/to other funds:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 164,061	Utility Fund	\$ 164,061
Nonmajor Governmental	<u>12,931</u>	Utility Fund	<u>12,931</u>
 Total	 <u>\$ 176,992</u>		 <u>\$ 176,992</u>

During the year ended June 30, 2015, the Lake Bruin Fund paid legal fees for the Utility Fund.

The Utility Fund bills and collects for trash and garbage services of the General Fund. At June 30, 2016, the Utility Fund owed the General Fund mainly for trash and garbage fees.

At this time management does not believe these loans will be repaid by June 30, 2017.

NOTE 5 – AD VALOREM TAXES

Property taxes are levied by the Town in September or October each year and are actually billed to the taxpayers in November. Property taxes become due and are attached as an enforceable lien on property as of December 31. Billed taxes become delinquent on January 1 of the year following the year in which the taxes are due. The collection of the property taxes occurs in December and in January and February of the next year.

The Town bills and collects its own property taxes using the assessed value as determined by the tax assessor of Tensas Parish.

The ad valorem tax mileage is as follows:

	<u>Mills</u>
General Ad Valorem Tax	7.34

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

NOTE 6 – CAPITAL ASSETS

The changes in capital assets are as follows:

	Balance 6/30/2015	Additions	Retirements and Transfers	Balance 6/30/2016
Governmental activities:				
Nondepreciable assets:				
Land	\$ 43,915	\$ -	\$ -	\$ 43,915
Depreciable assets:				
Buildings	458,544	-	-	458,544
Walking trail	97,551	-	-	97,551
Equipment	496,061	-	-	496,061
Total depreciable capital assets	1,052,156	-	-	1,052,156
Less: accumulated depreciation	(726,047)	(54,646)	-	(780,693)
Total depreciable capital assets, net	326,109	(54,646)	-	271,463
Total governmental activities capital assets, net	<u>\$ 370,024</u>	<u>\$ (54,646)</u>	<u>\$ -</u>	<u>\$ 315,378</u>
Business-type activities:				
Nondepreciable assets:				
Land	\$ 7,886	\$ -	\$ -	\$ 7,886
Work in progress	72,900	294,005	-	366,905
Total nondepreciable assets	80,786	294,005	-	374,791
Depreciable assets:				
Water system	2,667,744	-	-	2,667,744
Gas system	730,463	-	-	730,463
Sewer system	2,030,354	-	-	2,030,354
Service equipment	212,651	-	-	212,651
Office equipment	14,534	-	-	14,534
Wireless communication equipment	1,419	-	-	1,419
Amphitheatre	335,948	-	-	335,948
Total capital assets	5,993,113	-	-	5,993,113
Less: accumulated depreciation	(4,006,641)	(299,440)	-	(4,306,081)
Total depreciable capital assets, net	1,986,472	(299,440)	-	1,687,032
Total business-type activities capital assets, net	<u>\$ 2,067,258</u>	<u>\$ (5,435)</u>	<u>\$ -</u>	<u>\$ 2,061,823</u>

Depreciation of \$299,440 as of June 30, 2016, was charged to expense in the business-type activities: Utility Fund. Depreciation charged to governmental activities is as follows:

General government	\$ 11,606
Public safety	16,462
Public works	21,700
Culture and recreation	4,878
Total	<u>\$ 54,646</u>

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

NOTE 7 – PENSION PLAN – MUNICIPAL EMPLOYEES’ RETIREMENT SYSTEM

Plan Description: Employees of the Town are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan established in accordance with the provisions of Louisiana Revised Statute 11:1731 to provide retirement, disability, and survivor benefits to employees of all incorporated villages, towns and cities throughout the State of Louisiana. Municipal Employee’s Retirement System (the System) is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Town employees participate on a voluntary basis and are members of Plan B. The System issues a publicly available financial report that may be obtained by writing to the Municipal Employees’ Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or by calling (225) 925-4810.

Benefits provided: The following is a description of the Plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

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

- a. Any age with thirty years of creditable service.
- b. Age 60 with a minimum of ten or more years of creditable service.
- c. Eligible for disability benefits at any age with ten years of creditable service.
- d. Survivor’s benefits require five years of creditable service at death of member.

Eligibility for retirement for Plan B members hired on or after January 1, 2013, is as follows:

- a. Age 67 with seven or more years of creditable service.
- b. Age 62 with ten or more years of creditable service.
- c. Age 55 with thirty or more years of creditable service.
- d. Any age with twenty-five years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsections shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this sections, if the member had continued in service to that age.

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

Survivor Benefits: Upon death of any member of Plan B with five or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.

Any member of Plan B, who is eligible for normal retirement at the time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

DROP Benefits: The System has established a DROP plan. When members enter DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period up to three years. The election is irrevocable once participation begins. During participation, benefits otherwise payable are fixed and deposited in an individual DROP account. Upon leaving DROP, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

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

Deferred Benefits: Plan B provides for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at the time of withdrawal.

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

Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2016, the actual employer contribution rate was 9.5% for Plan B. The actuarially determined rate is the rate calculated to provide employer contributions that, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. For the year ended June 30, 2016, employer contributions to the pension plan from the Town were \$4,608 (\$2,565 for governmental activities and \$2,043 for business-type activities), and non-employer contributions were \$1,668 of which \$948 was recognized as revenue in the governmental activities and \$720 in business-type activities.

Pension Liabilities: Pension Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension: At June 30, 2016, the Town reported liabilities of \$47,171 for its proportionate share of the Net Pension Liability (NPL). The NPL was measured as of June 30, 2015, and the total pension liabilities used to calculate NPL were determined by actuarial valuations as of that date. The Town's proportions of the NPL were based on projections of the long-term share of contributions to the pension plans relative to the projected contribution of all participating employers, actuarially determined. As of June 30, 2015, the most recent measurement date, the Town's proportions and the changes in proportion from the prior measurement date were 0.069405%, or a decrease of 0.004504%.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

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

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5%, net of investment expense
Inflation Rate	2.875%
Projected Salary Increase	5.0% (2.875% Inflation, 2.125% Merit)
Mortality Rates	RP-2000 Employee Table (set back 2 years for males and females) RP-2000 Healthy Annuitant Sex Distinct Table (set forward 2 years for males and 1 year for females) projected to 2028 using Scale AA RP-2000 Disabled Lives Mortality (set back 5 years for males and 3 years for females)
Expected Remaining Service Lives	3 years for Plan A and 4 years for Plan B
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.

Changes in assumptions from the prior year valuation included the following:

- The investment rate of return was reduced from 7.75% to 7.5%. The reduction was made to better reflect lower expected returns.
- The projected salary increase rate was lowered from 5.75% to 5.00% based on forward estimates of future increases in pay resulting from three sources; inflation, merit and productivity.
- The inflation rate was reduced from 3.000% to 2.875%.
- For the June 30, 2014 valuation, the mortality rate was based on the results of an actuarial study for the period July 1, 2006 – June 30, 2010 and the RP-2000 Employee Mortality Table, the RP-2000 Healthy Annuitant Mortality Table for males and females, and the RP-2000 Disabled Lives Mortality Table were used. For June 30, 2015 valuation, the mortality rate was based on the results of an actuarial study for the period July 1, 2009 – June 30, 2014. As a result of the study, the RP-2000 Employee Table of Active members was set back 2 years for males and females; the RP-2000 Healthy Annuitant Sex Distinct Table was set forward 2 years for males and 1 year for females and projected to 2028 (the estimated duration of the fund's liabilities) using Scale AA; and the RP-2000 Disabled Lives Mortality Tables was set back 5 years for males and 3 years for females in the June 30, 2015 valuation. Setbacks in the employee and disability tables were used to approximate mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected return, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.40% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.30% in the June 30, 2015 valuation.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

For the year ended June 30, 2016, the Town recognized a total pension expense of \$2,099, \$1,126 for governmental activities and \$973 for business-type activities. The Town reported deferred outflows of resources and deferred inflows of resources related to pensions as components of unrestricted net position from the following sources:

	Governmental Activities		Business-type Activities		Total Activities	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ -	\$ 765	\$ -	\$ 581	\$ -	\$ 1,346
Changes of assumptions	2,443	-	1,857	-	4,300	-
Net difference between projected and actual earnings on pension plan investments	4,031	-	3,064	-	7,095	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	127	5,779	96	4,393	223	10,172
Employer contributions subsequent to the measurement date	3,565	-	2,711	-	6,276	-
Total	\$ 10,166	\$ 6,544	\$ 7,728	\$ 4,974	\$ 17,894	\$ 11,518

Deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Town's NPL in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	Governmental Activities	Business-type Activities	Total Activities
2017	\$ (1,278)	\$ (971)	\$ (2,249)
2018	(1,278)	(971)	(2,249)
2019	1,274	967	2,241
2020	1,339	1,018	2,357

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation in the June 30, 2015 valuation, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.95%
Public fixed income	15%	0.89%
Alternatives	<u>35%</u>	<u>2.06%</u>
Totals	100%	5.90%
Inflation		<u>2.40%</u>
Expected Arithmetic Nominal Rate		8.30%

The discount rate used to measure the total pension liability was 7.5%. 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 and the actuarially determined rates approved by the 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 the discount has been determined by measuring net pension liability at a discount rate that is one percentage point lower and one percentage point higher than the current rate. The results are presented as follows:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	6.50%	7.50%	8.50%
Net Pension Liability	\$ 63,637	\$ 47,171	\$ 33,145

Pension Plan Fiduciary Net Position: Detailed information about the System's fiduciary net position is available in the separately-issued financial report referenced previously.

Payables to the Pension Plan: At June 30, 2016, the Town had total payables of \$1,725 (\$979 for governmental activities and \$746 for business-type activities) to the System for the June, 2016 employee and employer legally required contributions.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

NOTE 8 – LONG-TERM DEBT

The following is a summary of long-term obligation transactions for the year ended June 30, 2016.

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
Net pension liability	\$ 19,718	\$ 10,795	\$ 3,715	\$ 26,798	\$ -
<u>Business-type Activities</u>					
Revenue bonds	\$ 359,100	\$ -	\$ 7,348	\$ 351,752	\$ 7,872
Net pension liability	14,982	8,214	2,823	20,373	-
Total Business-type Activities					
Long-term liabilities	<u>\$ 374,082</u>	<u>\$ 8,214</u>	<u>\$ 10,171</u>	<u>\$ 372,125</u>	<u>\$ 7,872</u>

The Business-type Activities bonds payable at June 30, 2016, is comprised of the following issue:

Revenue Bonds:

\$423,000 revenue bonds dated January 26, 2004; due in monthly installments of \$1,599 through January 26, 2044; interest at 3.25%.

\$ 351,752

The principal and interest requirements of long-term obligations of the Town are due as follows:

Fiscal Year Ended	Principal	Interest	Total
June 30,			
2017	\$ 7,872	\$ 11,315	\$ 19,187
2018	8,131	11,056	19,187
2019	8,400	10,787	19,187
2020	8,677	10,510	19,187
2021	8,963	10,224	19,187
2022-2026	49,451	46,485	95,936
2027-2031	58,164	37,772	95,936
2032-2036	68,412	27,524	95,936
2037-2041	80,465	15,471	95,936
2042-2044	53,217	2,631	55,848
	<u>\$ 351,752</u>	<u>\$ 183,775</u>	<u>\$ 535,527</u>

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

NOTE 9 – INTERGOVERNMENTAL AGREEMENT – GAS TRANSMISSION AND DISTRIBUTION OPERATIONS

The Town of Saint Joseph, Louisiana owns jointly with the Town of Newellton, Louisiana a gas pipeline, which transports natural gas to the Towns. The jointly owned line is operated independently of the Towns. The carrying value of the investment is recorded on the equity method. The annual net income is added to the investment and cash withdrawals, and net losses are deducted from the investment value. A summary of the statement of net position of the Towns of Newellton and Saint Joseph, Louisiana Jointly Owned Gas Line Operations and Maintenance Fund (Joint Gas Line) as of June 30, 2016, is as follows:

Assets	
Cash and cash equivalents	\$ 85,692
Accounts receivable	90
Total Assets	<u>85,782</u>
 Liabilities	
Accounts payable and accrued expenses	14,879
Customer deposits	163
Total Liabilities	<u>15,042</u>
 Net Position - Unrestricted	 <u>\$ 70,740</u>

The Joint Line's net position decreased \$51,436 in the fiscal 2016 from the results of operations and interest income. The Joint Gas Line issues a separate financial statement that can be obtained by contacting the Town of Saint Joseph. The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position are included in this report as Exhibits 8 and 9.

NOTE 10 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2016, are comprised of the following:

	<u>General Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Vendor payable	\$ 60,490	\$ 89,271	\$ 149,761
Construction payable	-	104,835	104,835
IRS payable - penalties and interest	31,417	19,746	51,163
Total	<u>\$ 91,907</u>	<u>\$ 213,852</u>	<u>\$ 305,759</u>

NOTE 11 – RISK FINANCING ACTIVITIES

The Town of Saint Joseph is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee; and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy except for workers' compensation insurance that was terminated in 2016 and unemployment insurance which was terminated in July 2014. Claims resulting from these risks that are covered by insurance have historically not exceeded insurance coverage. Losses related to workers' compensation and unemployment have been \$15,329 through the 3rd quarter of 2016. After the policies for workers' compensation insurance and unemployment insurance were terminated, these risks were handled through risk retention until October 1, 2016.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

NOTE 12 – NEW GASB STANDARDS

In fiscal year 2016 the Town adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- *Statement No. 72 - Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- *Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets* that are not within the scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement establishes requirements for defined benefit pensions that are not within the scope of GASB 68, as well as for the assets accumulated for the purpose of providing those pensions. It also amends certain provisions of GASB 67 and 68 that are within their respective scopes. This statement also clarifies the application of certain provisions of GASB 67 and 68.

The adoption of these standards had no impact on the government-wide or the governmental fund financial statements, but provide for guidance, clarifications and/or additional disclosures in the notes to the financial statements and required supplementary information related to pensions.

NOTE 13 – CONTINGENCIES AND COMMITMENTS

Litigation: The Town is a defendant in various lawsuits. Management believes that the probable outcome of these lawsuits will not materially affect the Town's financial position.

Grant Disallowances: The Town participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits. Such audits could lead to request for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. As of June 30, 2016, the Town has accrued \$26,900 for disallowed grant funds that were received in prior year. The State has determined the Town did not comply with grant requirements and is requiring the funds to be returned to the State.

IRS Compliance: As of June 30, 2016, the Town has accrued a total of \$39,295 in the general fund and \$23,806 in the utility fund for estimated outstanding taxes, penalties and interest payable to the Internal Revenue Service. The Town filed some of its payroll tax returns and paid the tax thereon late. This will result in penalties and interest being charged on these late filings and remittances. Included in the \$63,101 payable to the IRS, the Town has \$40,216 recorded for penalties and interest which consists of \$22,216 in actual amounts due plus an additional estimate of \$18,000 for unfiled payroll tax reports in the current financial statements. The Internal Revenue Service's calculation of the penalties and interest may differ from the amounts the Town estimated, but the Town does not expect the difference, if any, to be material to the financial statements.

Construction Commitments: At June 30, 2016, the Town's construction commitment consisted of the \$379,533 construction contract for the LCDBG elevated water storage tank improvements. The construction began in July 2016.

Town of Saint Joseph, Louisiana
Notes to the Financial Statements
June 30, 2016

NOTE 14 – SUBSEQUENT EVENTS

On December 16, 2016, Governor John Bel Edwards issued a proclamation declaring a state of public health emergency in the Town of Saint Joseph due to water testing in some residences and businesses showing higher than acceptable levels of lead. This proclamation was effective through January 14, 2017, and has been extended each month with a current expiration of March 15, 2017. It is our understanding that this proclamation will be reissued each month until water system construction and repairs are complete. Each proclamation has been advertised in the Tensas Gazette newspaper. Drinking water is being supplied to residents of the Town using 14 (400 gallon) water containers supplied by the Louisiana National Guard.

The Town is currently constructing, repairing, or replacing the water distribution and water treatment infrastructure. Funding is being provided from State Capital Outlay (\$7,800,000 total), Louisiana Community Water Enrichment Funds (\$250,000), Louisiana Community Development Block Grant (\$478,162), and Delta Regional Authority (\$497,000).

Water tower repairs and upgrades that were funded with Community Development Block Grant Funds have been completed since year end. Replacement of water mains that were considered an emergency project funded with Community Water Enrichment Funds is nearing completion. Construction has started on the water distribution system (water lines). The contract for this work is \$3,399,510. The completion date per the contract is September 30, 2017. This project is funded with state capital outlay funds. The design phase for the water treatment facilities is underway and the total estimated cost is not yet known. We plan to have this work completed around the same time as the water distribution system (September 30, 2017). The Town received approval from Facility Planning and Control to order equipment totaling \$910,871 that must be manufactured and delivered to meet this timeframe. Plans for two new water wells are also being developed. The water well replacement will depend on the funds available after the total costs for the water distribution system and the water treatment facilities are known.

The Town has hired Bryant Hammett and Associates, LLC, Civil Engineering and Land Surveying as the project manager for the water system construction projects. The funds for this contract will be paid with Delta Regional Authority grants.

REQUIRED SUPPLEMENTARY INFORMATION

**Town of Saint Joseph, Louisiana
Budgetary Comparison Schedule
For Year Ended June 30, 2016**

General Fund – This fund is the general operating fund of the Town. It is used to account for all financial resources of the Town except for those required to be accounted in another fund.

TOWN OF SAINT JOSEPH, LOUISIANA

GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

Exhibit 1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
BUDGETARY FUND BALANCES, Beginning Resources (inflows)	\$ 167,363	\$ 167,363	\$ 167,363	\$ -
Local sources:				
Taxes:				
Ad valorem	36,145	36,145	36,786	641
Sales and use	112,355	112,355	104,081	(8,274)
Charges for services	99,780	99,780	90,265	(9,515)
Licenses, permits and commission for services	124,750	124,750	105,446	(19,304)
Intergovernmental revenues - State	13,000	13,000	18,000	5,000
Fines and forfeitures	2,750	2,750	7,255	4,505
Use of money and property	14,450	14,450	15,465	1,015
Miscellaneous revenues	9,115	9,115	5,716	(3,399)
Amounts available for appropriations	<u>579,708</u>	<u>579,708</u>	<u>550,377</u>	<u>(29,331)</u>
Charges to appropriations (outflows)				
Current:				
General government	165,168	165,168	191,244	(26,076)
Public safety	108,919	108,919	101,993	6,926
Public works	110,236	110,236	118,948	(8,712)
Culture and recreation	-	-	9,138	(9,138)
Total charges to appropriations	<u>384,323</u>	<u>384,323</u>	<u>421,323</u>	<u>(37,000)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 195,385</u>	<u>\$ 195,385</u>	<u>\$ 129,054</u>	<u>\$ (66,331)</u>

Town of Saint Joseph, Louisiana
Notes to the Budgetary Comparison Schedule
For Year Ended June 30, 2016

NOTE A. General Budget Practices The Town follows these procedures in establishing the budgetary data reflected in these financial statements.

1. The proposed budget is submitted by the Town Clerk and the Mayor to the Board of Aldermen prior to July of the ensuing year. Notice of the location and availability of the proposed budget for the public inspection and the date of the public hearing to be conducted on the budget is then advertised in the official journal of the Town at least 15 days prior to the date of the hearing.
2. After the public hearing, the budget is adopted by passing an ordinance approving the budget at the selected June board meeting.
3. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
4. All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. A budget is adopted for the General Fund; encumbrance accounting is not used by the Town.
5. Appropriations (unexpended budget balances) lapse at year end.

NOTE B. Excess of Actual Expenditures over Budgeted Appropriations The following individual fund had expenditures over budgeted expenditures for the year ended June 30, 2016:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 384,323	\$ 421,323	\$ (37,000)

TOWN OF SAINT JOSEPH, LOUISIANA

Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2016

NOTE C - BUDGET TO GAAP RECONCILIATION - Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

	<u>GENERAL FUND</u>
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 550,377
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(167,363)
	<hr/>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>383,014</u>
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "Total charges to appropriation" from the Budgetary Comparison Schedule	421,323
	<hr/>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 421,323</u>

Town of Saint Joseph, Louisiana

**Schedule of Employer's Proportionate Share of the Net Pension Liability
Municipal Employees' Retirement System
Last Two Fiscal Years**

Exhibit 2

<u>Fiscal Year</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.073909%	\$ 34,700	\$ 46,882	74%	76.94%
2016	0.069405%	47,171	48,156	98%	68.71%

Notes:

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is presented.

**Schedule of Employer Contributions to Pension Plan
Municipal Employees' Retirement System
Last Two Fiscal Years**

Exhibit 3

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2015	\$ 4,867	\$ 4,867	\$ -	\$ 48,156	10.1%
2016	4,608	4,608	-	48,504	9.5%

Notes:

The amounts presented were determined as of the end of the fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is presented.

Town of Saint Joseph, Louisiana

**Notes to Required Supplementary Information for Pensions
For the Year Ended June 30, 2016**

Changes in assumptions:

For amounts reported in 2016, the valuation investment rate of return was reduced from the 7.75% reported in 2015 to 7.50%. The reduction was made to better reflect lower expected returns. The salary increase rate was lowered from 5.75% reported in 2015 to 5.00% based on forward estimates of future increases in pay resulting from three sources; inflation, merit and productivity. The inflation rate was reduced from 3.000% reported in 2015 to 2.875%.

For 2015, the mortality rate was based on the results of an actuarial study for the period July 1, 2006 - June 30, 2009 and the RP-2000 Employee Mortality Table, the RP-2000 Healthy Annuitant Mortality Table for males and females, and the RP-2000 Disabled Lives Mortality Table were used. For 2016, the mortality rate was based on the results of an actuarial study for the period July 1, 2009 - June 30, 2014. As a result of the study, the RP-2000 Employee Table of Active members was set back 2 years for males and females; the RP-2000 Healthy Annuitant Sex Distinct Table was set forward 2 years for males and 1 year for females and projected to 2028 (the estimated duration of the fund's liabilities) using Scale AA; and the RP-2000 Disabled Lives Mortality Tables was set back 5 years for males and 3 years for females in the valuation of amounts reported for 2016. Setbacks in the employee and disability tables were used to approximate mortality improvement.

SUPPLEMENTARY INFORMATION

TOWN OF SAINT JOSEPH, LOUISIANA

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet

June 30, 2016

Exhibit 4

	SPECIAL REVENUE FUNDS		TOTAL
	DOWNTOWN REVITALIZATION	LAKE BRUIN	
ASSETS			
Cash and cash equivalents	\$ 2,063	\$ 5,161	\$ 7,224
Interfund receivable	-	12,931	12,931
TOTAL ASSETS	<u>2,063</u>	<u>18,092</u>	<u>20,155</u>
FUND BALANCES:			
Assigned	<u>2,063</u>	<u>18,092</u>	<u>20,155</u>
TOTAL FUND BALANCES	<u>\$ 2,063</u>	<u>\$ 18,092</u>	<u>\$ 20,155</u>

TOWN OF SAINT JOSEPH, LOUISIANA

NONMAJOR GOVERNMENTAL FUNDS
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2016

Exhibit 5

	SPECIAL REVENUE FUNDS		TOTAL
	DOWNTOWN REVITALIZATION	LAKE BRUIN	
REVENUES			
Local sources:			
Use of money and property	\$ -	\$ -	\$ -
Total revenues	-	-	-
EXPENDITURES			
Current:			
General and administrative	-	-	-
Total expenditures	-	-	-
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	-	-	-
FUND BALANCES - BEGINNING	2,063	18,092	20,155
FUND BALANCES - ENDING	\$ 2,063	\$ 18,092	\$ 20,155

Town of Saint Joseph, Louisiana
Schedule of Compensation Paid to Aldermen
For the Year Ended June 30, 2016

Exhibit 6

Evelyn Guy	\$ 6,000
Theodore Jackson	6,000
John Lewis	6,000
Jerry Newman	6,000
Aaron Staves	<u>6,000</u>
 Total	 <u><u>\$ 30,000</u></u>

Town of Saint Joseph, Louisiana
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended June 30, 2016

Exhibit 7

Agency Head Name : Edward Brown, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 27,000
Benefits - Retirement	2,565
Benefits - Social Security and Medicare	1,982
Reimbursements	2,095
Travel	<u>11,820</u>
 Total	 <u><u>\$ 45,462</u></u>

OTHER INFORMATION

TOWN OF SAINT JOSEPH, LOUISIANA

TOWNS OF NEWELLTON AND SAINT JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND

Statement of Net Position
June 30, 2016

Exhibit 8

ASSETS	
Cash and cash equivalents	\$ 85,692
Accounts receivable	90
	<hr/>
TOTAL ASSETS	85,782
	<hr/>
LIABILITIES AND NET POSITION (DEFICIT)	
LIABILITIES:	
Accounts payable and accrued expenses	14,879
Customer deposits	163
	<hr/>
TOTAL LIABILITIES	15,042
	<hr/>
NET POSITION	
Unrestricted	70,740
	<hr/>
TOTAL NET POSITION	\$ 70,740
	<hr/>

TOWN OF SAINT JOSEPH, LOUISIANA

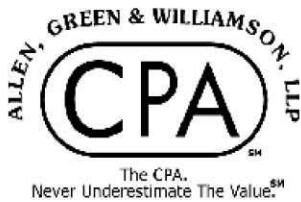
TOWNS OF NEWELLTON AND SAINT JOSEPH, LOUISIANA
JOINTLY OWNED GAS LINE OPERATION AND MAINTENANCE FUND

Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2016

Exhibit 9

OPERATING REVENUES	
Charges for services	\$ 11,066
Other revenues	2,312
	<hr/>
Total operating revenues	13,378
	<hr/>
OPERATING EXPENSES	
Salaries and wages	24,000
Payroll taxes	1,836
Professional fees	16,000
Repair and maintenance	19,447
Other	3,707
	<hr/>
Total expenses	64,990
	<hr/>
Operating income (loss)	(51,612)
Non-operating income and expenses	
Interest income	176
	<hr/>
Change in net position	(51,436)
NET POSITION, BEGINNING	<hr/>
	122,176
	<hr/>
NET POSITION, ENDING	<hr/>
	\$ 70,740
	<hr/>

OTHER REPORTS



ALLEN, GREEN & WILLIAMSON, LLP

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Principal: Cindy Thomason, CPA

Matt Carmichael, CPA
Eddi Hernandez, CPA
Audit Manager: Margie Williamson, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

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

Independent Auditor's Report

The Honorable Mayor Elvadus Fields
And the Board of Alderman
Town of Saint Joseph, Louisiana

We were engaged to audit, 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, business-type activities, each major fund, and the aggregate remaining fund information of Town of Saint Joseph as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 28, 2017. Our report disclaims an opinion on such financial statements because of the Town not maintaining accounting records and management's inability to provide documentation necessary to support an opinion on the financial statements as a whole. In addition, we were unable to obtain a response to our legal inquiry.

Internal Control Over Financial Reporting

In connection with our engagement to audit of the financial statements of the Town, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2016-001, 2016-002, 2016-003, 2016-004, 2016-005 and 2016-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2016-007 and 2016-008 to be significant deficiencies.

Compliance and Other Matters

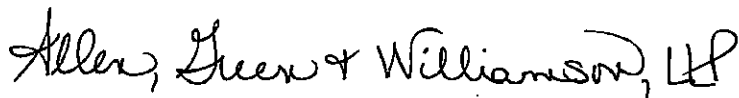
In connection with our engagement to audit the financial statements of the Town, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, and 2016-008. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

The Town's Response to Findings

The Town's response to the findings identified in our engagement is described in the accompanying Schedule of Findings and Corrective Action Plan for Current Year Audit Findings. The Town'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 result 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 an engagement performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 28, 2017

Town of Saint Joseph, Louisiana
Schedule of Findings
For the Year Ended June 30, 2016

Part I. Summary of Audit's Results

Financial Statement Audit

- i. The type of audit report issued was disclaimer of opinion.
- ii. There were eight significant deficiencies required to be disclosed by *Government Auditing Standards*, issued by the Comptroller General of the United States of America. The significant deficiencies described as items 2016-001, 2016-002, 2016-003, 2016-004, 2016-005 and 2016-006 are considered to be material weaknesses.
- iii. There were seven instances of noncompliance considered material, as defined by the *Government Auditing Standards*, to the financial statement.

Town of Saint Joseph, Louisiana
Schedule of Findings
For the Year Ended June 30, 2016

Part II – Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America:

Reference # and title: **2016-001** **Financial Management**

Entity-Wide or program/department specific: This finding is entity wide.

Criteria or specific requirement: Proper internal controls over financial reporting requires that accounting records contain up-to-date, accurate and complete information to ensure that the financial data can be relied upon to monitor the financial condition of the entity. Financial records should be reviewed timely with supporting documentation to ensure that the transactions are properly recorded and classified in the accounting records. Segregation of duties is required to maintain effective internal control; it reduces the risk of both erroneous and improper transactions. Board members act as trustees of the organization's assets and must exercise due diligence to oversee that the organization is well-managed and that its financial situation remains sound.

Condition found: When testing internal controls, it was noted the Town has inadequate segregation of duties. Duties are not adequately segregated in the financial reporting processes for proper internal control. In addition to being one of the check signers, the Mayor also approves transactions, prepares the checks, records the transactions into the accounting system and reconciles all bank accounts. The Clerk enters data into the customer billing system, collects customer payments and posts customer payments into the customer subsidiary ledger. The lack of segregation of duties increases the risk of both erroneous and improper transactions that would not be detected in a timely manner. Additionally, due to the Town's condition of accounting records and lack of filing system, the auditor was unable to test the Town's cash receipts for the audit period.

The Town's written policies and procedures are not complete and for those policies the Town has established, they are not readily available or communicated to the Town's employees.

Through inquiry and review of the minutes, it was determined that the Board of Aldermen were not receiving financial information during the year other than to approve the general fund's original and revised budgets. Furthermore, the Board was not provided any financial information for the Utility fund.

Through a review of manual journal entries and through inquiries, the following were noted:

- Entries made by the fee accountant included recording the effects of prior period adjustments, adjustments to the accounts payable and accounts receivable subsidiary ledger balances, and to correct posting errors to the general ledger. The adjusting entries were not made in the Town's accounting system until five months after year end.
- Entries to allocate insurance, fuel cost and other expenses to the appropriate fund and/or function were not made for the current year.
- The Town was unable to produce accurate monthly financial statements.
- The Town does not always maintain supporting documentation for entries posted.

Context: Through inquiries of management, reading of minutes, testing of journal entries and review of general ledger, it was determined that is systemic issue.

Possible asserted effect (cause and effect):

Cause: The written policies and procedures are nonexistent or not readily available for effective internal controls over financial reporting. Prior period adjustments to the financial accounting system are not posted timely and not reviewed and corrected timely. The Town does not maintain adequate documentation/filing system of receipts nor uses pre-numbered receipts for all monies received.

**Town of Saint Joseph, Louisiana
Schedule of Findings
For the Year Ended June 30, 2016**

Part II – Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America:

Effect: The Town is not able to produce reliable financial information for the Mayor and Aldermen to monitor the financial condition and to make sound financial decisions during the year. Internal controls over financial reporting are weakened.

Recommendations to prevent future occurrences: Written policies and procedures need to be developed and implemented to ensure an effective system of internal controls over financial reporting including adequately addressing the segregation of the accounting duties. The accounting records need to be reviewed and corrected timely. The accounts receivable and subsidiary ledgers need to be reconciled to the general ledger monthly and appropriate adjustments made and documentation retained. Accurate financial statements and budget-to-actual comparisons need to be provided to the Aldermen monthly for them to effectively exercise their fiduciary responsibilities. Supporting documentation should be maintained for all transactions and filed in an orderly manner.

View of Responsible Official: Written policies and procedures are being developed and internal controls are being implemented to ensure accurate and reliable financial records. Financial statements have been presented to the Board of Aldermen in the 2017 fiscal year and budgetary comparisons will be presented periodically.

Reference # and title: **2016-002** **Budget Violations**

Entity-Wide or program/department specific: This finding is entity wide.

Criteria or specific requirement: The Town must adhere to the Local Budget Act found in Louisiana Revised Statute (R.S.) 39:1301-1315 for the general fund and all special revenue funds. For enterprise funds to be spent by a Lawrason Act municipality, enterprise funds must be approved and appropriated either through their annual budget process or through an ordinance prior to spending enterprise funds pursuant to R.S. 33:462.

Condition found: The general fund’s proposed original budget did not contain all the required elements as set forth in R.S.39:1305(C)(2)(a). The side-by-side detailed comparisons were not presented. Only the general fund’s revenues by type and expenses by function and the income/loss was presented for the original budget. The beginning and ending fund balances were not presented. It did not contain any budget to actual information or percentage of change as required. The budget ordinance was not published in the official journal.

R.S. 39:1311 requires the chief executive or administrative officer to advise the governing authority or independently elected official in writing when total expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more and when total revenue and other sources for the remainder of the year, within a fund, are failing to meet budgeted revenues and other sources by five percent or more.

Total actual expenditures exceeded budgeted expenditures by five percent or more in the following fund:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 384,323	\$ 421,323	\$ (37,000)

Total budgeted revenues exceeded actual revenues by five percent or more in the following fund:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 579,708	\$ 550,377	\$ (29,331)

**Town of Saint Joseph, Louisiana
Schedule of Findings
For the Year Ended June 30, 2016**

Part II – Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America:

The Board did not adopt a budget by resolution or ordinance for the Utility fund for the year-ended June 30, 2016.

Context: Through inquiry of management, inspection and performing a budget to actual comparison, the Town's budget tested for compliance with State statutes. This is a repeat finding and is considered systemic.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: The Town has not complied with Local Budget Act and R.S. 33:462.

Recommendations to prevent future occurrences: The Town should establish good practices over the budget process. The Mayor should use the Local Government Budget Act template that is available on the Louisiana Legislative Auditor's website. Financial records need to be accurate and kept current to allow the Town to monitor revenues and expenditures and produce budget-to-actual comparisons.

View of Responsible Official: Budgetary practices are being addressed and recommendations will be implemented.

Reference # and title: **2016-003** **Vendor Disbursements**

Entity-Wide or program /department specific: This finding is entity wide.

Criteria or specific requirement: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, paid timely, all supporting documentation for the expenditures is obtained and maintained and ensure expenditures are necessary and reasonable for the operation of the entity. Additionally, invoices should be reviewed to ensure that the entity is taking all applicable credits and is not paying sales tax on expenditures. Effective internal controls over disbursements include 1099 forms being sent to all vendors that are required by IRS regulations to be reported.

Condition found: In testing 31 randomly selected vendor disbursements, the following items were noted:

- The Town is not following its policy requiring purchase orders for non-routine purchases over \$250.
- Three expenditures were not appropriately approved.
- One expenditure included was paid to an employee for helping at the Christmas party which is unallowable with public funds.
- Two checks included expenditures that do not appear to be necessary and reasonable for proper administration.
- Ten expenditures were not supported by proper documentation.
- Five checks included invoice(s) that were paid late (more than 60 days past the due date).
- Two checks originally selected could not be tested. Although it appears these checks were possibly voided, no adequate documentation was retained by the Town to confirm if voided.

Test of Credit Cards In the testing three monthly credit card statements, the following items were noted:

- None of the credit card charges were supported with original documentation. Of the \$4,457 in credit card charges tested, \$3,493 or 78% were not supported with any documentation or the documentation was not considered sufficient to support the charge.

Town of Saint Joseph, Louisiana
Schedule of Findings
For the Year Ended June 30, 2016

Part II – Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America:

- Credit card charges were not posted to the ledger by individual charges but posted by the payment amount. This was corrected five months after year end by fee accountant.
- The Town is paying sales tax on purchases made with the credit card. The Town is not providing proof of their sales tax exemption status to prevent paying sales tax nor seeking reimbursement of taxes paid. The sales tax expenditures are considered not necessary and reasonable by the auditor.
- The Town is not paying timely which has resulted in late fees and interest charges.

Test of Expense Reports In testing three months of travel reimbursements, the following items were noted:

- The Mayor provided a resolution that allows the Mayor to incur up to \$80 per day without supporting documentation. This resolution goes against best practices and does not aid in the prevention of abuse of public funds.
- For the expense reports tested, \$715 of meal expenses did not have any supporting documentation. \$102 of the \$715 exceeded the \$80 per day policy and \$613 were under the \$80 per day policy threshold.
- It was noted that reimbursement for meals, in which more than one person was in attendance, had no business purpose or who was in attendance documented on the receipt or no receipt was provided for the meal.
- Lodging reimbursement and other travel reimbursements totaling \$246 did not have supporting documentation.
- The mileage requested for reimbursement appears to be excessive and questionable, as to whether all mileage serves a public purpose.

In reviewing the board minutes, general ledger detail and other audit procedures, the following items were noted:

- The Town had an employee Christmas party with known costs of approximately \$900, which appears to be in violation of Louisiana Constitution Article VII Section 14(A).

The Town did not file any IRS Form 1099 Miscellaneous Income for the calendar year 2015 as required by IRS regulations.

In the test of unprocessed payables and review of the fee accountant's payable schedule, the auditor noted that the Town's records did not appropriately accrue payments made after year end that were related to the current audit period, as well as the auditor could not adequately test unprocessed invoices due to the Town not maintaining records in a central location.

Context: A random sample of 38 vendor checks, 3 monthly credit card statements and 3 monthly travel expense reports were tested, \$24,691 or approximately 7% of the total vendor disbursements. Board minutes and general ledger detail were also reviewed. No 1099's were provided to the auditor. This is considered systemic.

Possible asserted effect (cause and effect):

Cause: The Town has not developed or implemented adequate internal control policies over vendor disbursements, use of credit cards, and travel.

Effect: Payments are being made that are poorly documented or not documented, travel reimbursement could result in overpayments by the Town, better documentation could eliminate or minimize questions regarding expenditures, improper payments may be occurring, expenditures are not being charged to the proper general ledger account, failure to file certain reports may violate IRS regulations, and the Town may be in violation of state laws and Article VII Section 14 of the Louisiana Constitution.

Town of Saint Joseph, Louisiana
Schedule of Findings
For the Year Ended June 30, 2016

Part II – Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America:

Recommendations to prevent future occurrences: Written policies and procedures need to be developed and implemented to ensure an effective system of internal controls over disbursements, use of credit cards, and travel, in addition these should follow best practices as recommended by the Louisiana Legislative Auditor. A copy of the Town’s sales tax exempt status should be presented when purchasing supplies, making hotel and other travel arrangements. Consider either purchasing a vehicle for general administration travel, or providing a travel allowance for in town travel and require Board approval for out of town travel. Prohibit personal charges on the Town’s credit card and charge accounts.

View of Responsible Official: Written policies and procedures are being developed and all recommendations are being addressed.

Reference # and title: **2016-004** **Payroll Disbursements**

Entity-Wide or program /department specific: This finding is entity wide.

Criteria or specific requirement: Proper internal controls over payroll disbursements require that proper documentation as required federal laws and documentation supporting an employee’s rate of pay should be maintained in personnel files. Timecards should be accurate and be signed by the employee and the employee’s supervisor.

R.S. 40:1167.3.C requires that “...shall include the additional compensation paid by the state to such police officers in the calculation and deduction from the pay of such officers the sums required by state or federal law to be withheld by an employer, such as federal income tax and social security tax or contributions to state or local retirement systems”, regarding state supplemental pay.

Condition found: In testing 31 randomly selected payroll disbursements, the following items were noted:

- There were a total of twelve employees tested in our sample. None of the employees’ approved/agreed upon rate of pay was maintained in their personnel file. Of the twelve tested, none had a completed Form I-9 in their personnel file, the employer section was not completed. Two employees did not have a W-4 in the personnel file.
- Three timecards could not be located for the auditor to test
- Three timecards had differences noted in the amount calculated per the timecard and the amount paid.
- Seventeen timecards were not signed by the supervisor or Mayor. Of the seventeen timecards without the supervisor’s approval, three timecards included overtime. One timecard was not signed by the employee.

In testing the Mayor’s salary, the official ordinance and the minutes in which his salary was approved could not be provided.

The Town did not report, withhold or remit taxes on police supplemental pay as required by R.S. 40:1667.3.C.

In addition, it was noted the employer matched benefits are not allocated properly to the appropriate fund and/or function in which the salary was earned.

Town of Saint Joseph, Louisiana
Schedule of Findings
For the Year Ended June 30, 2016

Part II – Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America:

Context: A random sample of 31 payroll checks (\$27,300 or approximately 5% of the total payroll disbursements) were selected to test. 12 of the 20 employee files were tested. All 12 months of police supplemental pay reports were reviewed along with the payroll summary reports. This is considered systemic

Possible asserted effect (cause and effect):

Cause: The Town has not developed or implemented internal control policies over personnel files and payroll disbursements.

Effect: Personnel file are not maintained with appropriate documentation as required by federal laws. Payroll expenditures are not supported with appropriate documentation. The Town may have violated State and IRS regulations.

Recommendations to prevent future occurrences: Written policies and procedures need to be developed and implemented to ensure an effective system of internal controls over personnel files and payroll disbursements that follow best practices as recommended by the Louisiana Legislative Auditor. The Town's ordinances should also be filed by subject matter to aid in locating applicable laws as needed. Procedures should be established to ensure State regulations are followed regarding supplemental pay.

View of Responsible Official: Written policies and procedures are being developed and all recommendations are being addressed.

Reference # and title: **2016-005** **Payroll Reporting and Tax Payments**

Entity-Wide or program /department specific: This finding is entity wide.

Criteria or specific requirement: Federal laws require filing of payroll reports and payment of taxes in accordance with the filing and payment schedule as outlined in the IRS tax code.

Condition found: In testing outstanding payroll related liabilities, a confirmation was requested from the Internal Revenue Service. From the confirmation, outstanding taxes, penalties and interest due were estimated to be \$63,101 at June 30, 2016. The penalties and interest were assessed for late filing or not filing 941 payroll reports and for late payment of taxes due. As of June 30, 2016, the Town has a known outstanding balance to the IRS for taxes, penalties and interest of \$28,665 from the 3rd and 4th quarters of 2012; the 3rd quarter of 2013; and the 2nd, 3rd and 4th quarters of 2015. The penalties and interest for not filing 941 forms and late payment of taxes for all quarters for the 2014 year and for civil penalties for not filing W2s for calendar year 2011 is estimated to be \$20,500. The remaining balance of \$13,936 were for outstanding current taxes not paid until after year end. The Town will continue to incur penalties and interest on past quarters until these issues are remedied and paid in full.

Context: The finding was based on an IRS confirmation and is considered systemic.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: The Town did not comply with IRS tax code and incurred penalties and interest that are not necessary and reasonable for proper administration.

Town of Saint Joseph, Louisiana
Schedule of Findings
For the Year Ended June 30, 2016

Part II – Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America:

Recommendations to prevent future occurrences: Management should immediately take steps to pay all outstanding taxes, penalties and interest due and file all outstanding reports. Management should adhere to the IRS tax code by filing required payroll tax reports timely and making the required tax deposits in accordance with the IRS payment schedule.

View of Responsible Official: Payroll tax reports and payments are now being made in the required timeframes. We will continue to work with the IRS to pay outstanding taxes.

Reference # and title: **2016-006** **Customer Billings, Receivables and Disconnections**

Entity-Wide or program /department specific: This finding is for the Utility fund.

Criteria or specific requirement: Good internal controls requires the establishment of policies and procedures over customer billings, accounts receivable subsidiary ledger and the collection and/or disconnection of delinquent accounts. The subsidiary ledger should be reconciled monthly to ensure customer balances accuracy and to enable the monitoring of customers with delinquent balances. Continuing to provide utility services without compensation is prohibited by the Louisiana Constitution Article VII, Section 14(A).

Condition found: There are no written policies or procedures for customer account adjustments and disconnections. The accounts receivable subsidiary ledger has not been reconciled to the general ledger. A significant number of the customer's accounts had inaccurate beginning balances. The difference was adjusted by the fee accountant but was not made to the customer's account. This practice does not allow management to effectively monitor customer accounts. The auditor was unable to determine if the account balances in active and closed customer accounts represent an amount due to the Town or are a result of accounting errors. Customers are continually charged penalties for late payment related to disputed accounts balances that have never been addressed. The Town is not actively seeking payment of delinquent accounts other than applying the customer's deposit to their account. Some customers continued to receive service even after their past due amount exceeded their deposit. The auditor was unable to determine the cause for the difference in our testwork projecting revenues based on the monthly billing reports and the amount of revenue recorded in the general ledger due to issues noted above; the auditor could not rely upon system report provided.

It was also noted that the Town is not maintaining receipts in an orderly manner and therefore the auditor was unable to test for completeness of collections. When performing a cash count, it was noted that the Town does not maintain a change fund but rather uses the prior day's collections.

Context: Through inquiry of management, inspection of customer accounts receivable listings, billing adjustments and performing revenue analytics, it was determined that is systemic.

Possible asserted effect (cause and effect):

Cause: There are no written policies or procedures over customer billings, receivables and disconnections. Reconciliations of the customer subsidiary ledger are not being performed.

Effect: The internal controls over customer accounts are weakened and records are incomplete.

**Town of Saint Joseph, Louisiana
Schedule of Findings
For the Year Ended June 30, 2016**

Part II – Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America:

Recommendations to prevent future occurrences: Written policies and procedures need to be developed and implemented to ensure an effective system of internal controls over customer billings and receivables subsidiary ledger. The policy should address reconciling the subsidiary ledger to the general ledger monthly, collecting delinquent accounts, billing adjustments and cutoff procedures. The Town should actively seek payment of delinquent accounts.

View of Responsible Official: Written policies and procedures are being developed and all recommendations are being addressed.

Reference # and title: **2016-007** **Public Records Violation**

Entity-wide or program/department specific: This finding is entity wide.

Criteria or specific requirement: R.S. 33:406(D) requires the municipal clerk to keep an ordinance book in which he is to file the original of every ordinance which has been adopted by the Board immediately after its passage and to publish each ordinance adopted once in the official journal within 20 days of its adoption and prior to its effective date.

R.S. 33:421 requires the municipal clerk to keep a book in which he is to record the proceedings of the mayor and board of aldermen, and keep the same fully indexed alphabetically, so that all entries on the minutes can be easily found.

R.S. 43:144 states in part "...an official of any municipal corporation, police jury, or school board by law responsible for the preparing and recording of the official proceedings, within twenty days from the date of any meeting at which the official proceedings were had, shall furnish the official journal with a copy of the minutes, ordinances, resolutions, budgets, and proceedings for publication for public notice."

Condition found: The 2016 budget was not published in the official journal as required.

While reviewing board meeting minutes to determine if the Town furnished the board meeting minutes within twenty days to the official journal, it was noted that the board meeting minutes selected were not published in the official journal within a reasonable amount of time after the regular meeting occurred. The ordinance or resolutions approved in these minutes were not published as required by State statute.

In reading the minutes, the auditor found that the minutes do not contain sufficient detail to allow the reader to know what discussions occurred. The minutes are incomplete, unclear and occasionally contain inaccurate data. (i.e. dates)

In June 2016, the Board declared an emergency regarding the Town's water system, but failed to publish the declaration in the official journal within the required 10 days.

Context: Through inquiry of management and inspection of minutes and the Town's public notice publications for compliance with State statutes, it was determined that is systemic.

Town of Saint Joseph, Louisiana
Schedule of Findings
For the Year Ended June 30, 2016

Part II – Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America:

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: The Town did not adhere to the requirements for maintaining and publishing the Town’s minutes, ordinances and resolutions, and declared emergencies as set forth by the Louisiana Revised Statutes.

Recommendations to prevent future occurrences: Management should implement procedures to ensure that the minute and ordinance books are maintained intact in accordance with State statutes and the board minutes, ordinances and resolutions, and declared emergencies are published in the official journal as required.

View of Responsible Official: The Town is working to improve all official records and will publish ordinances and resolutions.

Reference # and title: **2016-008** **Late Submission of Audit Report to the Legislative Auditor**

Entity-Wide or program /department specific: This finding is entity wide.

Criteria or specific requirement: R.S. 24:513 A (5)(a)(i) requires that “...audits shall be completed within six months of the close of the entity’s fiscal year.” The Town’s audit report should be submitted to the Louisiana Legislative Auditor by December 31st each year.

Condition found: The Town’s audit report for the fiscal year ending June 30, 2016 was not completed within the six month deadline as per R.S. 24:513 A (5)(a)(i).

Context: A gubernatorial declared water system emergency occurred near the completion of the audit deterred management’s ability to provide information needed to complete the audit. This is considered an isolated incident.

Possible asserted effect (cause and effect):

Cause: The Town’s gubernatorial declared water system emergency delayed the completion of the audit.

Effect: Management did not comply with requirements of R.S. 24:513 A (5)(a)(i).

Recommendations to prevent future occurrences: The audit report should be submitted to the Louisiana Legislative Auditor by the December 31st deadline.

View of Responsible Official: Because of the declared emergency and the work that was required to provide water distributions to the residents of St Joseph, we were unable to complete the requests necessary for our auditor to complete the audit prior to December 31, 2016. We did request and received approval for an extension to February 28, 2017.

Town of Saint Joseph, Louisiana

OTHER INFORMATION

Town of Saint Joseph, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2016

Reference # and title: **2015-001** **Financial Management**

Origination date: Regarding segregation of duties, this finding originated before June 30, 2007. The remaining finding originated June 30, 2013 fiscal year end.

Entity-Wide or program /department specific: This finding is entity wide.

Condition: Proper internal controls over financial reporting requires that accounting records contain up-to-date, accurate and complete information to ensure that the financial data can be relied upon to monitor the financial condition of the entity. Financial records should be reviewed timely with supporting documentation to ensure that the transactions are properly recorded and classified in the accounting records. Segregation of duties is required to maintain effective internal control; it reduces the risk of both erroneous and improper transactions. Board members act as trustees of the organization's assets and must exercise due diligence to oversee that the organization is well-managed and that its financial situation remains sound.

Management is required from to time to evaluate the whether the remaining useful lives of assets are reasonable or if events or changes in circumstances affecting capital asset to determine whether impairment of a capital assets has occurred.

There is an inadequate segregation of duties. Duties are not adequately segregated in the financial reporting processes for proper internal control. In addition to being one of the check signers, the Mayor also approves transactions, prepares the checks, records the transactions into the accounting system and reconciles all bank accounts. The Clerk enters data into the customer billing system, collects customer payments and posts customer payments into the customer subsidiary ledger. The lack of segregation of duties increases the risk of both erroneous and improper transactions that would not be detected in a timely manner. Additionally, due to the Town's condition of accounting records and lack of filing system, the auditor was unable to test the Town's cash receipts for the audit period.

The Town's written policies and procedures are not complete and for those policies the Town has established, they are not readily available or communicated to the Town's employees.

Through inquiry and review of the minutes, it was determined that the Board of Aldermen are not receiving financial information during the year other than to approve the general fund's original and revised budgets. Furthermore, the Board was not provided any financial information for the Utility fund.

Through a review of manual journal entries and through inquiries, the following were noted:

- In June 2015, management made journal entries to allocate auto insurance, worker compensation insurance and fuel costs that were recorded in the Utility fund but were related to the general fund. Management used an allocation method for fuel and workman's compensation based on a percentage when the actual expense per department was available; therefore, the allocations do not appear reasonable. The actual calculation for determining the allocation percentage used for allocating expenses to each department was not provided in sufficient detail in order for the auditor to test. The allocation for the auto insurance included expenses that were incorrectly posted to this account.
- Entries made by the fee accountant included recording the effects of prior period adjustments, adjustments to the accounts payable and accounts receivable subsidiary ledger balances, and to correct posting errors to the general ledger. The adjusting entries have not been made in the Town's accounting system, only to a trial balance maintained by a fee accountant and not until seven months after year end.
- The Town was unable to produce accurate monthly financial statements.

Town of Saint Joseph, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2016

Management did not evaluate the Utility Fund's water system for possible impairment or reevaluate the useful life of the water system as required by generally accepted accounting standards. In testing for impairment of the water system the auditor determined that it did not pass the impairment test; however, based on information obtained from water system project studies and inquiry of the Town's engineer, the estimated life used in depreciation calculations of the water system has significantly decreased from the original estimate. As a result, \$191,542 in additional depreciation expense was recorded for the water system. In addition, as a result from the auditor's review of the capital asset listing for assets that appear obsolete, management removed \$433,178 in obsolete and nonexistence assets from the capital asset listing.

Corrective action planned: See current year finding 2016-001 for corrective action planned.

Reference # and title: **2015-002** **Budget Violations**

Origination date: This finding originated June 30, 2010 fiscal year end.

Entity-Wide or program /department specific: This finding is entity wide.

Condition: The Town must adhere to the Local Budget Act found in Louisiana Revised Statute (R.S.) 39:1301-1315 for the general fund and all special revenue funds. For enterprise funds to be spent by a Lawrason Act municipality, enterprise funds must be approved and appropriated either through their annual budget process or through an ordinance prior to spending enterprise funds pursuant to R.S. 33:462.

The general fund's proposed original budget and proposed revised budget that was provided to the auditor did not contain all the required elements as set forth in R.S.39:1305(C)(2)(a). The side-by-side detailed comparisons were not presented. Only the general fund's revenues by type and expenses by function and the income/loss was presented for the original budget. The beginning and ending fund balances were not presented. The general fund's proposed budget amendment was presented in the same format as the original budget but had three columns for the original budget, proposed amendments and the amended budget. It did not contain any budget to actual information or percentage of change as required. Certified copies of the budget and ordinance for the original budget were not retained nor was the budget published in the official journal.

R.S. 39:1311 requires the chief executive or administrative officer to advise the governing authority or independently elected official in writing when total expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more and when total revenue and other sources for the remainder of the year, within a fund, are failing to meet budgeted revenues and other sources by five percent or more. The actual expenditures of \$486,012 exceeded budgeted expenditures of \$392,494 by \$93,518, which exceeds a five percent variance.

The Board did not adopt a budget by resolution or ordinance for the Utility fund for the year-ended June 30, 2016.

Corrective action planned: See current year finding 2016-002 for corrective action planned.

Town of Saint Joseph, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2016

Reference # and title: **2015-003** **Vendor Disbursements**

Origination date: This finding originated June 30, 2013 fiscal year end.

Entity-Wide or program /department specific: This finding is entity wide.

Condition: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, paid timely, all supporting documentation for the expenditures is obtained and maintained and ensure expenditures are necessary and reasonable for the operation of the entity. Additionally, invoices should be reviewed to ensure that the entity is taking all applicable credits and is not paying sales tax on expenditures. Effective internal controls over disbursements include 1099 forms being sent to all vendors that are required by IRS regulations to be reported.

In testing 42 randomly selected vendor disbursements, the following items were noted:

- The Town is not following its policy requiring purchase orders for non-routine purchases over \$250.
- Three expenditures were not appropriately approved.
- One expenditure included two charges on the Town's account at a local store that were not signed by the employee making the charge.
- Four checks included expenditures that do not appear to be necessary and reasonable for proper administration.
- Seven expenditures were not supported by proper documentation.
- Nine checks included invoice(s) that were paid late (more than 60 days past the due date).
- Two checks were paid to individuals as contract workers, although it appears they should have been paid as employees as they do not seem to meet the independent contractor test.
- Three checks originally selected could not be tested. Although it appears these checks were possibly voided, no adequate documentation was retained by the Town to confirm if voided.

Test of Credit Cards In the testing six monthly credit card statements, the following items were noted:

- None of the credit card charges were supported with original documentation. Of the \$8,719 in credit card charges tested, \$4,689 or 54% were not supported with any documentation or the documentation was not considered sufficient to support the charge.
- Personal charges are made by the Mayor on the credit card and then deducted from his expense report reimbursement. There were \$219 noted in which the personal charge amounts were not deducted from his expense report.
- Credit card charges were not posted to the ledger by individual charges but posted by the payment amount.
- The Town is paying sales tax on purchases made with the credit card. The Town is not providing proof of their sales tax exemption status to prevent paying sales tax nor seeking reimbursement of taxes paid. The sales tax expenditures are considered not necessary and reasonable by the auditor. The known amount of sales tax paid on credit card purchases tested was \$189.
- The support provided for five of the six credit card statements tested, did not have evidence of approval by the finance committee.

In other audit procedures related to the test of credit cards, the following items were noted:

- The Town did not record credit card charges to the appropriate fund and function. \$8,594 of travel and other expenses were all charged to the Utility fund as the gas department's auto insurance expense, which was later allocated to different departments as auto insurance. The remaining charges were recorded as general fund – general administration, when some of the expenses incurred were for the general fund - police department and Utility fund - water department.
- The Town paid \$297 in interest and late fees for the year-ended June 30, 2016 which the auditors considered not necessary and reasonable for proper administration.

Town of Saint Joseph, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2016

Test of Expense Reports In testing six months of travel reimbursements, the following items were noted:

- The Mayor provided a resolution that allows the Mayor to incur up to \$80 per day without supporting documentation. This resolution goes against best practices and does not aid in the prevention of abuse of public funds.
- For the expense reports tested, \$812 of meal expenses did not have any supporting documentation. \$312 of the \$812 exceeded the \$80 per day policy and \$500 were under the \$80 per day policy threshold.
- It was noted that reimbursement for meals in which more than one person was in attendance had no business purpose or who was in attendance documented on the receipt or no receipt was provided for the meal.
- The mileage requested for reimbursement appears to be excessive and questionable, as to whether all mileage serves a public purpose.
- Two of the six expense reports did not have proof of the finance committee’s approval.

In reviewing the board minutes, general ledger detail and other audit procedures, the following items were noted:

- The Town had an employee Christmas party with costs of \$1,100, a senior crawfish boil with known costs of \$1,050 and a police graduation dinner for \$203 which appears to be in violation of Louisiana Constitution Article VII Section 14(A).
- The Town had \$492 of credit card charges that were clearly not for a public purpose. Per inquiry, these were unauthorized charges that were reported to the credit card company and were to be removed. It was noted that the next month a new credit card was issued to the Town but there was no evidence the charges on the old card have been removed.
- One check was not supported with any documentation other than the check stub. From the description on the check stub, the \$200 expenditure does not appear to be necessary and reasonable.
- Three vendor checks with expenditures totaling \$2,500 were not supported by proper documentation.

The Town did not file any IRS Form 1099 Miscellaneous Income for the calendar year 2014 as required by IRS regulations.

In the test of the search for unrecorded payables, the auditor noted that the Town’s records did not appropriately accrue payments made after year end that were related to the current audit period.

Corrective action planned: See current year finding 2016-003 for corrective action planned.

Reference # and title: **2015-004** **Payroll Disbursements**

Origination date: This finding originated June 30, 2013 fiscal year end.

Entity-Wide or program /department specific: This finding is entity wide.

Condition: Proper internal controls over payroll disbursements require that proper documentation as required federal laws and documentation supporting an employee’s rate of pay should be maintained in personnel files. Timecards should be accurate and be signed by the employee and the employee’s supervisor.

R.S. 40:1167.3.C requires that “...shall include the additional compensation paid by the state to such police officers in the calculation and deduction from the pay of such officers the sums required by state or federal law to be withheld by an employer, such as federal income tax and social security tax or contributions to state or local retirement systems”.

Town of Saint Joseph, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2016

In testing 28 randomly selected payroll disbursements, the following items were noted:

- There were a total of ten employees tested in our sample. None of the employees' approved/agreed upon rate of pay was maintained in their personnel file. Of the ten tested, seven employees did not have a Form I-9 in their personnel file and one had an incomplete I-9. Three employees did not have a W-4 in the personnel file. One employee's file could not be located.
- Eight timecards had differences noted in the amount calculated per the timecard and the amount paid. In one instance the time clock did not reduce the time worked by the time taken for lunch.
- Ten timecards were not signed by the supervisor. Of the ten timecards without the supervisor's approval, eight timecards included overtime. One timecard was not signed by the employee.
- One paycheck did not display the hours worked in order to confirm the time worked agrees with the time paid.

- One employee is paid \$900 per month for meter readings. This extra money is paid as a contract worker and not as an employee. The Town is required to withhold income and social security taxes and to pay social security on wages of an employee.

To test the Mayor's salary, the official ordinance and the minutes in which his salary was approved could not be provided.

The Town did not report, withhold or remit taxes on police supplemental pay as required by R.S. 40:1667.3.C.

Corrective action planned: See current year finding 2016-004 for corrective action planned.

Reference # and title: **2015-005** **Payroll Reporting and Tax Payments**

Origination date: This finding originated June 30, 2012 fiscal year end.

Entity-Wide or program /department specific: This finding is entity wide.

Condition: Federal laws require filing of payroll reports and payment of taxes in accordance with the filing and payment schedule as outlined in the IRS tax code.

In testing outstanding payroll related liabilities, a confirmation was requested from the Internal Revenue Service. From the confirmation, outstanding taxes, penalties and interest due were estimated to be \$54,195 at June 30, 2016. The penalties and interest were assessed for late filing or not filing 941 payroll reports and for late payment of taxes due. As of June 30, 2016, the Town has a known outstanding balance to the IRS for taxes, penalties and interest of \$27,195 from the 3rd and 4th quarters of 2012; the 2nd quarter of 2013; and the 2nd quarter of 2015. The penalties and interest for not filing 941 forms and late payment of taxes for the 3rd quarter 2013, all quarters for the 2014 year and for the 1st quarter of 2015 is estimated to be \$27,000. The Town will continue to incur penalties and interest until these issues are remedied and paid in full.

Corrective action planned: See current year finding 2016-005 for corrective action planned.

Town of Saint Joseph, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2016

Reference # and title: **2015-006** **Grant Management**

Origination date: This finding originated June 30, 2015 fiscal year end.

Entity-Wide or program /department specific: This finding is entity wide.

Condition: Proper internal controls over grant management require that all invoices submitted for reimbursement agree to actual expenses paid and are in accordance with the grant or contract agreement. Invoices supporting requests for reimbursement should be retained with grant documentation.

When reviewing grant and contract agreements and the related expenses paid for these grants, the following items were noted:

- The Town requested reimbursement of \$20,331 in expenses related to the CWF #1213-TNS0201 grant funds, request #2. Of the amount requested, \$1,914 was not readily available. The supporting invoice was not provided to the auditor until weeks after the conclusion of field work.
- No supporting invoices were provided to auditor for the reimbursement request of \$5,497 in CWF #1213-TNS0201 grant funds, request #3 until weeks after the conclusion of field work.
- The documentation provided to the auditor in support of the \$20,050 received from a FHWA recreational Trail Program for Louisiana grant does not support expenses requested for reimbursement.

Corrective action taken: A fiscal administrator was appointed by the sixth Judicial District Court for the Town of Saint Joseph. Written policies and procedures are being developed to ensure compliance with grant agreements including procedures for appropriate record retention. Based on management's response, this finding is considered cleared.

Reference # and title: **2015-007** **Customer Billings and Receivables**

Origination date: This finding originated June 30, 2013 fiscal year end.

Entity-Wide or program /department specific: This finding is for the Utility fund.

Condition: Good internal controls requires the establishment of policies and procedures over customer billings, accounts receivable subsidiary ledger and the collection and/or disconnection of delinquent accounts. The subsidiary ledger should be reconciled monthly to ensure customer balances accuracy and to enable the monitoring of customers with delinquent balances. Continuing to provide utility services without compensation is prohibited by the Louisiana Constitution Article VII, Section 14(A).

There are no written policies or procedures for customer account adjustments and disconnections. The accounts receivable subsidiary ledger has not been reconciled to the general ledger. A significant number of the customer's accounts had inaccurate beginning balances. The difference was adjusted by the fee accountant but was not made to the customer's account. This practice does not allow management to effectively monitor customer accounts. The auditor was unable to determine if the account balances in active and closed customer accounts represent an amount due to the Town or are a result of accounting errors. Customers are continually charged penalties for late payment related to disputed accounts balances that have never been addressed. The Town is not actively seeking payment of delinquent accounts other than applying the customer's deposit to their account. Some customers continued to receive service even after their past due amount exceeded their deposit. The auditor was unable to determine the cause for the difference in our testwork projecting revenues based on the monthly billing reports and the amount of revenue recorded in the general ledger.

Corrective action planned: See current year finding 2016-006 for corrective action planned.

Town of Saint Joseph, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2016

Reference # and title: **2015-008** **Public Records Violations**

Origination date: This finding originated June 30, 2015 fiscal year end.

Entity-wide or program/department specific: This finding is entity wide.

Condition: R.S. 33:406(D) requires the municipal clerk to keep an ordinance book in which he is to file the original of every ordinance which has been adopted by the Board immediately after its passage and to publish each ordinance adopted once in the official journal within 20 days of its adoption and prior to its effective date.

R.S. 33:421 requires the municipal clerk to keep a book in which he is to record the proceedings of the mayor and board of aldermen, and keep the same fully indexed alphabetically, so that all entries on the minutes can be easily found.

R.S. 43:144 states in part "...an official of any municipal corporation, police jury, or school board by law responsible for the preparing and recording of the official proceedings, within twenty days from the date of any meeting at which the official proceedings were had, shall furnish the official journal with a copy of the minutes, ordinances, resolutions, budgets, and proceedings for publication for public notice."

The auditor requested original documentation for several ordinances during the performance of the audit that could not be located. The ordinances for setting the Mayor's salary, for approving 2015's original budget and approving the 2015 revised budget were among those requested that were not provided to the auditors. Also, the 2015 budgets were not maintained with the Board minutes nor published in the official journal as required. It was also found that Board minutes are not maintained intact.

While reviewing board meeting minutes to determine if the Town furnished the board meeting minutes within twenty days to the official journal, it was noted that four of the seven board meeting minutes selected were not published in the official journal within a reasonable amount of time after the regular meeting occurred and one meeting was not published. The ordinance or resolutions approved in these minutes were not published as required by State statute.

In reading the minutes, the auditor found that the minutes do not contain sufficient detail to allow the reader to know what discussions occurred. The minutes are incomplete, unclear and occasionally contain inaccurate data (i.e. dates).

Corrective action planned: See current year finding 2016-007 for corrective action planned.

Reference # and title: **2015-009** **Late Submission of Audit Report to the Legislative Auditor**

Origination date: This finding originated June 30, 2015 fiscal year end.

Entity-Wide or program /department specific: This finding is entity wide.

Condition: R.S. 24:513 A (5)(a)(i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The Town's audit report should be submitted to the Louisiana Legislative Auditor by December 31st each year.

The Town's audit report for the fiscal year ending June 30, 2016 was not completed within the six month deadline as per R.S. 24:513 A (5)(a)(i).

Corrective action planned: See current year finding 2016-008 for corrective action planned.

Town of Saint Joseph, Louisiana
Summary Schedule of Prior Year Audit Findings
June 30, 2016

Reference # and title: **2015-010** **Report by Louisiana Legislative Auditor**

Origination date: This find originated June 30, 2015 fiscal year end.

Entity-Wide or program /department specific: This finding is entity wide.

Condition: As part of a financial and compliance audit, the auditor is required to inquire and consider any findings/reports issued by an oversight agency or other organization regarding the auditee that may impact the financial and compliance operations of the auditee.

The Louisiana Legislative Auditor's Office recently performed an Investigative Audit for certain transactions of the Town of Saint Joseph for the period January 1, 2011 to December 31, 2014 and issued their report dated February 21, 2016. Part of the period of the Investigative Report fell in the audit period covered by this audit report. The Louisiana Legislative Auditor's Office report conclusions were as follows:

Mayor Edward Brown Appeared to Control the Entire Contracting for Services Process

Because Mayor Brown failed to keep records necessary to substantiate that the construction and mechanical work performed by his cousin was equivalent to the amount of Town funds the cousin was paid, Mayor Brown may have violated state laws. Also, an IRS Form 1099 Miscellaneous Income was not issued to his cousin.

Mayor Brown May Have Violated State Law While Contracting for Services

Being the arrangement between the Town and Mayor Brown's cousin was not incorporated into a written agreement and the contractor did not provide a surety bond. The Town may have violated state laws by not executing a written contract for public works projects exceeding \$5,000 and by not requiring the cousin to provide a surety bond.

Mayor Brown Received Monies He Was Not Entitled to Receive

Mayor Brown may have violated state laws for receiving \$19,491.25 in monies it appears he was not entitled to receive. That report noted the repayments were for personal expenses, travel advances when he did not travel, duplicate payments for travel expenses incurred, overpayments for travel expenses incurred, reimbursements for unsubstantiated out-of-town meetings, and reimbursements based on inaccurate odometer readings and questionable business traveled.

Mayor Brown's Response

Mayor Brown responded to the Legislative Auditor's Office Findings in writing in which he disputed several items but agreed with several items and has since reimbursed the Town \$4,445.46 for items that were overlooked or were an oversight or an error on his part.

Corrective action taken: On June 6, 2016, a fiscal administrator was appointed by the Sixth Judicial District Court for the Town of Saint Joseph. Based on management's response, this finding is considered cleared.

Town of Saint Joseph, Louisiana
Corrective Action Plan For Current Year Audit Findings
June 30, 2016

Reference # and title: **2016-001** **Financial Management**

Entity-Wide or program /department specific: This finding is entity wide.

Condition: Proper internal controls over financial reporting requires that accounting records contain up-to-date, accurate and complete information to ensure that the financial data can be relied upon to monitor the financial condition of the entity. Financial records should be reviewed timely with supporting documentation to ensure that the transactions are properly recorded and classified in the accounting records. Segregation of duties is required to maintain effective internal control; it reduces the risk of both erroneous and improper transactions. Board members act as trustees of the organization's assets and must exercise due diligence to oversee that the organization is well-managed and that its financial situation remains sound.

When testing internal controls, it was noted the Town has inadequate segregation of duties. Duties are not adequately segregated in the financial reporting processes for proper internal control. In addition to being one of the check signers, the Mayor also approves transactions, prepares the checks, records the transactions into the accounting system and reconciles all bank accounts. The Clerk enters data into the customer billing system, collects customer payments and posts customer payments into the customer subsidiary ledger. The lack of segregation of duties increases the risk of both erroneous and improper transactions that would not be detected in a timely manner. Additionally, due to the Town's condition of accounting records and lack of filing system, the auditor was unable to test the Town's cash receipts for the audit period.

The Town's written policies and procedures are not complete and for those policies the Town has established, they are not readily available or communicated to the Town's employees.

Through inquiry and review of the minutes, it was determined that the Board of Aldermen were not receiving financial information during the year other than to approve the general fund's original and revised budgets. Furthermore, the Board was not provided any financial information for the Utility fund.

Through a review of manual journal entries and through inquiries, the following were noted:

- Entries made by the fee accountant included recording the effects of prior period adjustments, adjustments to the accounts payable and accounts receivable subsidiary ledger balances, and to correct posting errors to the general ledger. The adjusting entries were not made in the Town's accounting system until five months after year end.
- Entries to allocate insurance, fuel cost and other expenses to the appropriate fund and/or function were not made for the current year.
- The Town was unable to produce accurate monthly financial statements.
- The Town does not always maintain supporting documentation for entries posted.

Corrective action planned: Because of the small size of the town and the limited number of employees that the town can afford to pay, it is difficult to segregate duties to ensure an adequate system of internal control. The town clerk will continue to enter invoices into accounts payable and record deposits. In addition, the clerk and assistant clerk will collect customer payments and post the payments into the customer subsidiary ledger. The clerk will also transfer subsidiary postings to the general ledger. The clerk will no longer sign checks. These duties will go to the mayor, the mayor pro-tem, and currently the fiscal administrator. Daily collection reports will be reviewed by the fiscal administrator and/or the mayor and compared to deposits. All disbursement transactions will be reviewed by the fiscal administrator/mayor and must be supported by appropriate documentation. All records will be maintained by the town clerk and these records will be reviewed periodically to ensure that the records are complete. An independent certified public accountant has been hired to work each month to ensure the proper posting of financial transactions and the monthly reconciliation of bank accounts.

Town of Saint Joseph, Louisiana
Corrective Action Plan For Current Year Audit Findings
June 30, 2016

Written policies and procedures are still being developed with the assistance of the Louisiana Legislative Auditor. These will be in place within the next three months and will be presented to the Board of Aldermen and communicated to all town personnel. Financial statements for both the enterprise fund and general fund will be presented to the Board of Aldermen on a regular basis, monthly if the prior month has been posted correctly. Because the budget was prepared and presented to the Board of Aldermen prior to my ability to review and understand the fiscal condition of the town, a budgetary comparison will be presented after budget adjustments for the current fiscal year have been presented for adoption by the Board of Aldermen. A finance committee will continue to review and sign off on all invoices that have been paid.

Allocations of expenses shared by different town departments and different funds will be clearly documented and entries will be made each month to allocate these expenses and enable the production of accurate financial statements. The town is in the process of rebuilding its aged water system infrastructure. We have completed the repairs and reconditioning of the water tower, emergency replacement of a section of main water lines is nearing completion, and bids will be opened in January for water line replacement throughout most of the town. Engineers have begun the design of a new and/or reconditioned water plant as well.

Person responsible for corrective action:

David Greer, Fiscal Administrator
Town of Saint Joseph
P O Box 217
Saint Joseph, LA 71366

Telephone: 318-766-3713
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Anticipated completion date: June 30, 2017

Reference # and title: **2016-002** **Budget Violations**

Entity-Wide or program /department specific: This finding is entity wide.

Condition: The Town must adhere to the Local Budget Act found in Louisiana Revised Statute (R.S.) 39:1301-1315 for the general fund and all special revenue funds. For enterprise funds to be spent by a Lawrason Act municipality, enterprise funds must be approved and appropriated either through their annual budget process or through an ordinance prior to spending enterprise funds pursuant to R.S. 33:462.

The general fund's proposed original budget did not contain all the required elements as set forth in R.S.39:1305(C)(2)(a). The side-by-side detailed comparisons were not presented. Only the general fund's revenues by type and expenses by function and the income/loss was presented for the original budget. The beginning and ending fund balances were not presented. It did not contain any budget to actual information or percentage of change as required. The budget ordinance was not published in the official journal.

R.S. 39:1311 requires the chief executive or administrative officer to advise the governing authority or independently elected official in writing when total expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more and when total revenue and other sources for the remainder of the year, within a fund, are failing to meet budgeted revenues and other sources by five percent or more.

Total actual expenditures exceeded budgeted expenditures by five percent or more in the following fund:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 384,323	\$ 421,323	\$ (37,000)

Town of Saint Joseph, Louisiana
Corrective Action Plan For Current Year Audit Findings
June 30, 2016

Total budgeted revenues exceeded actual revenues by five percent or more in the following fund:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 579,708	\$ 550,377	\$ (29,331)

The Board did not adopt a budget by resolution or ordinance for the Utility fund for the year-ended June 30, 2016.

Corrective action planned: Budget amendments for the 2017 fiscal year will be in the required format and the budget that will be presented for the 2018 fiscal year will contain all required elements. All required documentation will be maintained and any required budget variance notifications will be prepared and presented to the Board of Aldermen.

As fiscal administrator, I am still working to clearly understand the budgetary needs of the town. While we have not yet prepared and presented a budget for the utility fund, I anticipate doing so for the 2018 fiscal year.

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Anticipated completion date: June 30, 2017

Reference # and title: **2016-003** **Vendor Disbursements**

Entity-Wide or program /department specific: This finding is entity wide.

Condition: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, paid timely, all supporting documentation for the expenditures is obtained and maintained and ensure expenditures are necessary and reasonable for the operation of the entity. Additionally, invoices should be reviewed to ensure that the entity is taking all applicable credits and is not paying sales tax on expenditures. Effective internal controls over disbursements include 1099 forms being sent to all vendors that are required by IRS regulations to be reported.

In testing 31 randomly selected vendor disbursements, the following items were noted:

- The Town is not following its policy requiring purchase orders for non-routine purchases over \$250.
- Three expenditures were not appropriately approved.
- One expenditure included was paid to an employee for helping at the Christmas party which is unallowable with public funds.
- Two checks included expenditures that do not appear to be necessary and reasonable for proper administration.
- Ten expenditures were not supported by proper documentation.
- Five checks included invoice(s) that were paid late (more than 60 days past the due date).
- Two checks originally selected could not be tested. Although it appears these checks were possibly voided, no adequate documentation was retained by the Town to confirm if voided.

Town of Saint Joseph, Louisiana
Corrective Action Plan For Current Year Audit Findings
June 30, 2016

Test of Credit Cards In the testing three monthly credit card statements, the following items were noted:

- None of the credit card charges were supported with original documentation. Of the \$4,457 in credit card charges tested, \$3,493 or 78% were not supported with any documentation or the documentation was not considered sufficient to support the charge.
- Credit card charges were not posted to the ledger by individual charges but posted by the payment amount. This was corrected five months after year end by fee accountant.
- The Town is paying sales tax on purchases made with the credit card. The Town is not providing proof of their sales tax exemption status to prevent paying sales tax nor seeking reimbursement of taxes paid. The sales tax expenditures are considered not necessary and reasonable by the auditor.
- The Town is not paying timely which has resulted in late fees and interest charges.

Test of Expense Reports In testing three months of travel reimbursements, the following items were noted:

- The Mayor provided a resolution that allows the Mayor to incur up to \$80 per day without supporting documentation. This resolution goes against best practices and does not aid in the prevention of abuse of public funds.
- For the expense reports tested, \$715 of meal expenses did not have any supporting documentation. \$102 of the \$715 exceeded the \$80 per day policy and \$613 were under the \$80 per day policy threshold.
- It was noted that reimbursement for meals, in which more than one person was in attendance, had no business purpose or who was in attendance documented on the receipt or no receipt was provided for the meal.
- Lodging reimbursement and other travel reimbursements totaling \$246 did not have supporting documentation.
- The mileage requested for reimbursement appears to be excessive and questionable, as to whether all mileage serves a public purpose.

In reviewing the board minutes, general ledger detail and other audit procedures, the following items were noted:

- The Town had an employee Christmas party with known costs of approximately \$900, which appears to be in violation of Louisiana Constitution Article VII Section 14(A).

The Town did not file any IRS Form 1099 Miscellaneous Income for the calendar year 2015 as required by IRS regulations.

In the test of unprocessed payables and review of the fee accountant's payable schedule, the auditor noted that the Town's records did not appropriately accrue payments made after year end that were related to the current audit period, as well as the auditor could not adequately test unprocessed invoices due to the Town not maintaining records in a central location.

Corrective action planned: A formal written policies and procedures are being developed. Effective internal controls are being implemented to ensure that all disbursements are authorized, documented, and in accordance with law.

Person responsible for corrective action:

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Anticipated completion date: March 31, 2017

Town of Saint Joseph, Louisiana
Corrective Action Plan For Current Year Audit Findings
June 30, 2016

Reference # and title: **2016-004** **Payroll Disbursements**

Entity-Wide or program /department specific: This finding is entity wide.

Condition: Proper internal controls over payroll disbursements require that proper documentation as required federal laws and documentation supporting an employee's rate of pay should be maintained in personnel files. Timecards should be accurate and be signed by the employee and the employee's supervisor.

R.S. 40:1167.3.C requires that "...shall include the additional compensation paid by the state to such police officers in the calculation and deduction from the pay of such officers the sums required by state or federal law to be withheld by an employer, such as federal income tax and social security tax or contributions to state or local retirement systems", regarding state supplemental pay.

In testing 31 randomly selected payroll disbursements, the following items were noted:

- There were a total of twelve employees tested in our sample. None of the employees' approved/agreed upon rate of pay was maintained in their personnel file. Of the twelve tested, none had a completed Form I-9 in their personnel file, the employer section was not completed. Two employees did not have a W-4 in the personnel file.
- Three timecards could not be located for the auditor to test
- Three timecards had differences noted in the amount calculated per the timecard and the amount paid.
- Seventeen timecards were not signed by the supervisor or Mayor. Of the seventeen timecards without the supervisor's approval, three timecards included overtime. One timecard was not signed by the employee.

In testing the Mayor's salary, the official ordinance and the minutes in which his salary was approved could not be provided.

The Town did not report, withhold or remit taxes on police supplemental pay as required by R.S. 40:1667.3.C.

In addition, it was noted the employer matched benefits are not allocated properly to the appropriate fund and/or function in which the salary was earned.

Corrective action planned: Written policies and procedures are being developed. The town's ordinances are not well maintained and many official actions, such as the mayor and aldermen salaries, appear to have been adopted by resolution, not ordinance. These deficiencies will be corrected. We will also correct the deficiencies in the personnel files and appropriate internal controls will be implemented. Police supplemental pay will be included in the compensation of police officers as required by R.S. 40:1667.3C.

Person responsible for corrective action:

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Anticipated completion date: June 30, 2017

Town of Saint Joseph, Louisiana
Corrective Action Plan For Current Year Audit Findings
June 30, 2016

Reference # and title: **2016-005** **Payroll Reporting and Tax Payments**

Entity-Wide or program /department specific: This finding is entity wide.

Condition: Federal laws require filing of payroll reports and payment of taxes in accordance with the filing and payment schedule as outlined in the IRS tax code.

In testing outstanding payroll related liabilities, a confirmation was requested from the Internal Revenue Service. From the confirmation, outstanding taxes, penalties and interest due were estimated to be \$63,101 at June 30, 2016. The penalties and interest were assessed for late filing or not filing 941 payroll reports and for late payment of taxes due. As of June 30, 2016, the Town has a known outstanding balance to the IRS for taxes, penalties and interest of \$28,665 from the 3rd and 4th quarters of 2012; the 3rd quarter of 2013; and the 2nd, 3rd and 4th quarters of 2015. The penalties and interest for not filing 941 forms and late payment of taxes for all quarters for the 2014 year and for civil penalties for not filing W2s for calendar year 2011 is estimated to be \$20,500. The remaining balance of \$13,936 were for outstanding current taxes not paid until after year end. The Town will continue to incur penalties and interest on past quarters until these issues are remedied and paid in full.

Corrective action planned: All current tax deposits and tax forms are being paid and completed in a timely manner. We are working to pay all interest and penalty charges as funds are available. Because I am not certain if all filings were made, if we receive notices of unfiled reports from the IRS or the State of Louisiana, we will immediately seek to file the reports.

Person responsible for corrective action:

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Anticipated completion date: June 30, 2017

Reference # and title: **2016-006** **Customer Billings, Receivables and Disconnections**

Entity-Wide or program /department specific: This finding is entity wide.

Condition: Good internal controls requires the establishment of policies and procedures over customer billings, accounts receivable subsidiary ledger and the collection and/or disconnection of delinquent accounts. The subsidiary ledger should be reconciled monthly to ensure customer balances accuracy and to enable the monitoring of customers with delinquent balances. Continuing to provide utility services without compensation is prohibited by the Louisiana Constitution Article VII, Section 14(A).

There are no written policies or procedures for customer account adjustments and disconnections. The accounts receivable subsidiary ledger has not been reconciled to the general ledger. A significant number of the customer's accounts had inaccurate beginning balances. The difference was adjusted by the fee accountant but was not made to the customer's account. This practice does not allow management to effectively monitor customer accounts. The auditor was unable to determine if the account balances in active and closed customer accounts represent an amount due to the Town or are a result of accounting errors. Customers are continually charged penalties for late payment related to disputed accounts balances that have never been addressed. The Town is not actively seeking payment of delinquent accounts other than applying the customer's deposit to their account. Some customers continued to receive service even after their past due amount exceeded their deposit.

Town of Saint Joseph, Louisiana
Corrective Action Plan For Current Year Audit Findings
June 30, 2016

The auditor was unable to determine the cause for the difference in our testwork projecting revenues based on the monthly billing reports and the amount of revenue recorded in the general ledger due to issues noted above; the auditor could not rely upon system report provided.

It was also noted that the Town is not maintaining receipts in an orderly manner and therefore the auditor was unable to test for completeness of collections. When performing a cash count, it was noted that the Town does not maintain a change fund but rather uses the prior day's collections.

Corrective action planned: We are developing written policies and procedures. We will reconcile the subsidiary ledger to the general ledger and all attempts will be made to collect past due balances. We are and will continue to apply customer deposits to past due balances and services will be discontinued.

Person responsible for corrective action:

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Anticipated completion date: June 30, 2017

Reference # and title: **2016-007** **Public Records Violation**

Entity-Wide or program /department specific: This finding is entity wide.

Condition: R.S. 33:406(D) requires the municipal clerk to keep an ordinance book in which he is to file the original of every ordinance which has been adopted by the Board immediately after its passage and to publish each ordinance adopted once in the official journal within 20 days of its adoption and prior to its effective date.

R.S. 33:421 requires the municipal clerk to keep a book in which he is to record the proceedings of the mayor and board of aldermen, and keep the same fully indexed alphabetically, so that all entries on the minutes can be easily found.

R.S. 43:144 states in part "...an official of any municipal corporation, police jury, or school board by law responsible for the preparing and recording of the official proceedings, within twenty days from the date of any meeting at which the official proceedings were had, shall furnish the official journal with a copy of the minutes, ordinances, resolutions, budgets, and proceedings for publication for public notice."

The 2016 budget was not published in the official journal as required.

While reviewing board meeting minutes to determine if the Town furnished the board meeting minutes within twenty days to the official journal, it was noted that the three board meeting minutes selected were not published in the official journal within a reasonable amount of time after the regular meeting occurred. The ordinance or resolutions approved in these minutes were not published as required by State statute.

In reading the minutes, the auditor found that the minutes do not contain sufficient detail to allow the reader to know what discussions occurred. The minutes are incomplete, unclear and occasionally contain inaccurate data (i.e. dates).

Town of Saint Joseph, Louisiana
Corrective Action Plan For Current Year Audit Findings
June 30, 2016

In June 2016, the Board declared an emergency regarding the Town's water system, but failed to publish the declaration in the official journal within the required 10 days.

Corrective action planned: All minutes and ordinances will be maintained and will be published as required. Instructions will be given to the town clerk on the proper recording of minutes to contain sufficient detail of discussions. We will have all ordinances and resolutions filed with minutes.

Person responsible for corrective action:

David Greer, Fiscal Administrator	Telephone: 318-766-3713
Town of Saint Joseph	Fax: 318-766-3063
P O Box 217	
Saint Joseph, LA 71366	

Anticipated completion date: June 30, 2017

Reference # and title: **2016-008** **Late Submission of Audit Report to the Legislative Auditor**

Entity-Wide or program /department specific: This finding is entity wide.

Condition: R.S. 24:513 A (5)(a)(i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year." The Town's audit report should be submitted to the Louisiana Legislative Auditor by December 31st each year.

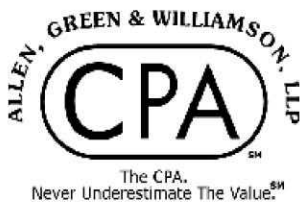
The Town's audit report for the fiscal year ending June 30, 2016 was not completed within the six month deadline as per R.S. 24:513 A (5)(a)(i).

Corrective action planned: We have taken steps to correct this condition.

Person responsible for corrective action:

David Greer, Fiscal Administrator	Telephone: 318-766-3713
Town of Saint Joseph	Fax: 318-766-3063
P O Box 217	
Saint Joseph, LA 71366	

Anticipated completion date: February 28, 2017



ALLEN, GREEN & WILLIAMSON, LLP

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Ernest L. Allen, CPA
(Retired) 1963 - 2000

Management Letter

Town of Saint Joseph
Saint Joseph, Louisiana

In planning and performing our engagement of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Saint Joseph (the Town) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, we considered the Town's internal control over financial reporting (internal control) to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control.

However, during our engagement, we noted certain matters involving internal control that are presented for your consideration. This letter does not affect our report dated February 28, 2017 on the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation. Our comments and management's response are summarized as follows:

2016-M1

Police Citations, Collection of Fines and Mayor's Court

Comment: Good controls over traffic citations require that the supply of citation books be locked and ticket books be issued only when police officers return previously issued ticket books; police officers be prohibited from collecting fines; and records be maintained that account for the final disposition of all citations. Ticket books issued should be reconciled with the issued citations returned by those officers. Traffic citations should not be reduced or dismissed outside of traffic court. The Mayor must keep a regular docket, on which he shall enter the causes arising under the ordinances and be tried by him. A docket is a formal record of brief notes of all the proceedings and filing in a court case and may also refer to a schedule of pending cases.

The Police Department was asked to provide a list of citations issued during the fiscal year. A total of 37 citations were provided along with a list of recorded citations. Testing of these citations the following was noted:

- There were missing citation numbers in the citation number sequences provided. The Town does not retain the citation books; therefore the sample provided only included those that were recorded to the ledger. The Town was unable to account for the missing citations.
- Only 5 or 14% of the 37 citations issued during the fiscal year were paid. 32 or 86% of the citations issued remain unpaid. No bench warrants were issued for unpaid citations.

- One citation did not list the correct fine amount for the offense listed on the citation per the Town's fine schedule.
- One citation did not include the court date on the citation.
- Three offender names and three citation numbers were listed incorrectly in the general ledger
- There was no proof provided that Mayor's Court was held during fiscal year 2016.


Recommendation: Written policies and procedures should be established to ensure that all citations issued by officers are retained by the Police Department. Tickets that are voided should be properly accounted for and tickets that are dismissed should have proper documentation and approval. The Town should require ticket books to be issued to police officers only after the previously issued book has been accounted for and all issued citations have been received from the police officer. Written policies and procedures should be established for the collection of fines. Mayor's court should be held on the dates listed on the citation. A Mayor's court docket should be kept.

Management's response: Our new assistant town clerk is developing written procedures for police citations and handling Mayor's Court. The assistant town clerk will maintain a docket of all tickets issued and the disposition of the tickets. The docket will be compared to the numerical sequence of ticket books used by the police officers. Letters will be sent to persons receiving tickets informing them of the fine amount and the date for Mayor's Court. Any unresolved tickets will be reported to the Office of Motor Vehicles.

Also included are management's responses to our current year management letter items. We have performed no audit work to verify the content of the responses.

Included immediately following this letter is a Status of Prior Management Letter Item. This information has not been audited by Allen, Green & Williamson, LLP, and no opinion is expressed. However, we did follow-up on the prior management letter item and performed procedures to assess the reasonableness of the Status of Prior Management Letter Item prepared by Management, and we would report, as a current-year management letter item when Allen, Green & Williamson, LLP, concludes that the Status of Prior Management Letter Item materially misrepresents the status of any prior management letter item.

This report is intended solely for the information and use of the Board of Alderman and management and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this letter may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.



ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 28, 2017

Town of Saint Joseph, Louisiana
Prior Year Management Letter Item
June 30, 2016

2015-M1

Police Citations and Collection of Fines

Comment: The Police Department was asked to provide a list of citations issued during the fiscal year. The citation numbers that were provided ranged from 211451 to 211461; 211584 to 211594; and 211726 to 211739. These ranges account for 36 citations of which nine or 25% were not included in the citation list provided. Three of the tickets listed were outside the scope of the audit. Of the twenty-four tested, the following exceptions were noted:

- Nineteen or 79% of the citations issued during the year remain unpaid. One was because the offender being incarcerated. For the remaining eighteen, the court docket, bench warrant or validated deposit slip was requested but the information was not provided.
- Four citations or 17% were listed as paid. For three out of the four, a validated deposit slip could not be located. One citation deposit was shown as deposited in the accounting system on 2/4/15 with a citation date of 3/16/15 with a deposit stamp date of 5/7/15.
- Seven citation numbers could not be located in the general ledger detail and four ticket citation numbers listed in the general ledger were not included in the range of citation number issued.
- Two citations listed violations that were not on the fine schedule. One was included in the ledger as zero and for the other citation, no information was provided on how the fine was determined. One citation in the list provided could not be located.

Recommendation: Written policies and procedures should be established to ensure that all citations issued by officers are retained by the Police Department. Tickets that are voided should be properly accounted for and tickets that are dismissed should have proper documentation and approval. The Town should require ticket books to be issued to police officers only after the previously issued book has been accounted for and all issued citations have been received from the police officer. Written policies and procedures should be established for the collection of fines.

Management's response: See management letter 2016-M1 for management's response.