

TOWN OF LIVONIA, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2017

TOWN OF LIVONIA, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the Town Council,
Town of Livonia, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **TOWN OF LIVONIA, LOUISIANA (TOWN)** as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and other information on pages 3 through 11 and Exhibits B through B-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information in Exhibit C is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2018 on our consideration of the TOWN OF LIVONIA, LOUISIANA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
May 23, 2018

TOWN OF LIVONIA, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of The Town of Livonia's (Town) financial performance provides an overview of the Town's financial activities for the year ended December 31, 2017. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. This MD&A should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2017, the Town of Livonia experienced a decrease in governmental revenues (4%) relative to the prior year, while governmental expenses increased (7%) from the prior year. The utility fund revenues decreased (21%) from the prior year primarily due to reduced water consumption from a major customer who has historically represented approximately 60% of the Town's water sales.

The major financial highlights for 2017 are as follows:

Government-wide financial statements

- Assets and deferred outflows of resources of the Town's primary government exceeded its liabilities and deferred inflows of resources at the close of the year by \$4.7 million (net position). Of this amount, \$896,000 (unrestricted net position) may be used without restrictions to meet the Town's ongoing obligations to citizens.
- The primary government's total net position decreased by \$337,000 during 2017.
- Governmental activities' net position decreased by \$220,000.
- Business-type activities' net position decreased by \$117,000.

General Fund financial statements

- As of the end of the year, governmental funds reported a fund balance of \$1.6 million, a decrease of \$273,000 in comparison to the prior year. Approximately 40% of the fund balance (\$643,000) is assigned for purposes relating to recreation and municipal complex construction.

Significant aspects of the Town's financial well being, as of and for the year ended December 31, 2017, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

The Town's financial statements focus on the government as a whole and on major individual funds. Both government-wide and fund perspectives allow the reader to address relevant questions, broaden a basis for comparison from year to year, and enhance the Town's accountability.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

Fund financial statements start on page 14. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

The Town's auditor has provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly presented in all material respects. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the Town as a Whole

The financial statements of the Town as a whole begin on page 12. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and its activities in a way to determine if the Town is in better condition, compared to the prior year. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the current year's revenues and expenses are reported regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the Town's net position and related changes. The Town's financial health, or financial position, can be measured by its net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the Town's operations are divided into two kinds of activities:

Governmental activities - Most of the Town's basic services are reported here, including public safety, highway and streets, culture and recreation, and general administration. Property and sales taxes, franchise fees and fines finance most of these activities.

Business-type activities - The Town charges a fee to customers to fund the cost of the gas, water, and sewer services it provides.

At December 31, 2017, the Town's net position was \$4.7 million, of which \$896,000 is unrestricted. Restricted net position is reported separately to show legal constraints from legislation that limits the Town's ability to use that net position for day-to-day operations.

The analysis of the primary government focuses on the net position and change in net position of the Town's governmental activities and business-type activities is as follows:

Town of Livonia, Louisiana						
Statements of Net Position						
December 31, 2017 and 2016						
(in thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,648	\$ 1,901	\$ 519	\$ 621	\$ 2,167	\$ 2,522
Capital assets	<u>1,511</u>	<u>1,452</u>	<u>5,077</u>	<u>5,323</u>	<u>6,588</u>	<u>6,775</u>
Total assets	3,159	3,353	5,596	5,944	8,755	9,297
Deferred outflows of resources	<u>226</u>	<u>281</u>	<u>-</u>	<u>-</u>	<u>226</u>	<u>281</u>
Total assets & deferred outflows of resources	<u>\$ 3,385</u>	<u>\$ 3,634</u>	<u>\$ 5,596</u>	<u>\$ 5,944</u>	<u>\$ 8,981</u>	<u>\$ 9,578</u>
Current and other liabilities	\$ 78	\$ 58	\$ 118	\$ 166	\$ 196	\$ 224
Long-term liabilities	<u>961</u>	<u>973</u>	<u>3,163</u>	<u>3,346</u>	<u>4,124</u>	<u>4,319</u>
Total liabilities	<u>1,039</u>	<u>1,031</u>	<u>3,281</u>	<u>3,512</u>	<u>4,320</u>	<u>4,543</u>
Deferred inflows of resources	<u>11</u>	<u>47</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>47</u>
Net position:						
Net investment in capital assets	1,511	1,452	1,914	1,977	3,425	3,429
Restricted	-	-	329	272	329	272
Unrestricted	<u>824</u>	<u>1,104</u>	<u>72</u>	<u>183</u>	<u>896</u>	<u>1,287</u>
Total net position	<u>2,335</u>	<u>2,556</u>	<u>2,315</u>	<u>2,432</u>	<u>4,650</u>	<u>4,988</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,385</u>	<u>\$ 3,634</u>	<u>\$ 5,596</u>	<u>\$ 5,944</u>	<u>\$ 8,981</u>	<u>\$ 9,578</u>

Net position of the Town's governmental activities decreased by 9% or \$221,000 during 2017. Unrestricted net position represents the part of net position that can be used to finance day-to-day operations without constraints established by legislation or other legal requirements. The \$824,000 in unrestricted net position of governmental activities represents the cumulative results of operations since the Town's inception.

The changes in net position are discussed later in this analysis. The net position of the Town's business activities decreased by 5% or \$117,000 during 2017. The Town operates gas, water, and sewer services for its citizens.

The results of 2017 and 2016 operations for the primary government as reported in the Statement of Activities, are as follows:

Town of Livonia
Statements of Activities
For the years ended December 31, 2017 and 2016
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program:						
Charges for services	\$ 640	\$ 704	\$ 552	\$ 695	\$ 1,192	\$ 1,399
Operating grants	40	37	-	-	40	37
Capital grants	19	82	-	362	19	444
General:						
Sales taxes	313	293	-	-	313	293
Video poker taxes	115	115	-	-	115	115
Franchise taxes	71	70	-	-	71	70
Ad valorem taxes	44	44	-	-	44	44
Other	91	42	9	-	100	42
Total revenues	<u>1,333</u>	<u>1,387</u>	<u>561</u>	<u>1,057</u>	<u>1,894</u>	<u>2,444</u>
Functions/Program Expenses:						
General government	200	184	-	-	200	184
Public safety	894	832	-	-	894	832
Highway and streets	235	214	-	-	235	214
Health and welfare	3	5	-	-	3	5
Culture and recreation	63	69	-	-	63	69
Utility operations	-	-	837	798	837	798
Total expenses	<u>1,395</u>	<u>1,304</u>	<u>837</u>	<u>798</u>	<u>2,232</u>	<u>2,102</u>
Increase in net position before transfers	(62)	83	(276)	259	(338)	342
Transfers	<u>(159)</u>	-	<u>159</u>	-	-	-
Increase (decrease) in net position	(221)	83	(117)	259	(338)	342
Beginning net position	<u>2,556</u>	<u>2,473</u>	<u>2,432</u>	<u>2,173</u>	<u>4,988</u>	<u>4,646</u>
Ending net position	<u>\$ 2,335</u>	<u>\$ 2,556</u>	<u>\$ 2,315</u>	<u>\$ 2,432</u>	<u>\$ 4,650</u>	<u>\$ 4,988</u>

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. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The focus is on major funds, rather than generic fund types.

Reporting the Town's Most Significant Funds

The analysis of the Town's major funds begins on page 14 with the fund financial statements that provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council establishes other funds to control and manage money for particular purposes or meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—governmental and proprietary—use different accounting approaches.

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 balances of spendable resources available at the end of the fiscal year. Most of the Town's basic services are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund, the General Fund, is described in a reconciliation to the financial statements. The governmental major fund (Exhibits A-2 and A-4) presentation is presented using modified accrual basis and focuses on the major funds of the Town. The Town's only governmental fund is the General Fund.

Proprietary funds—When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund (Public Utility Fund) is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-9.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the Town's budgetary funds.

Financial Analysis of the Government's Funds

The general government operations of the Town are accounted for in the General Fund. The focus of this fund, as noted earlier, 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. The following is a summary of general governmental operations for 2017 and 2016:

	General Fund	
	2017	2016
	(in thousands)	
Revenues and other financing sources	\$ 1,358	\$ 1,480
Expenditures and other financing uses	1,631	1,389
Net change in fund balance	(273)	91
Fund balance - beginning	1,843	1,752
Fund balance - ending	\$ 1,570	\$ 1,843

The Town's General Fund experienced a decrease in fund balance of \$273,000 during 2017 that primarily resulted from decreased intergovernmental revenue and fines, along with increased personnel costs related to public safety and highway and streets compared to the prior year. At year end, fund balances were \$1.6 million, of which \$931,000 is unassigned and available for utilization at the Town's discretion.

Governmental revenues, excluding other financing sources, are summarized below:

	2017		2016	
	(In thousands)			
Taxes	\$ 546	44%	\$ 525	39%
Intergovernmental	40	3%	112	8%
Licenses and permits	84	7%	73	6%
Fines	540	43%	612	45%
Miscellaneous	32	3%	26	2%
Total	\$ 1,242	100%	\$ 1,348	100%

Revenues of the General Fund for 2017 totaled \$1.2 million, representing a 8% decrease from the previous year.

As noted on the previous page, the Town's activities are largely supported by fines and taxes, which represented 87% of total governmental resources during 2017.

Expenditures of the primary government increased by \$144,000 or 11% in 2017, primarily related to an increase in general government, public safety personnel costs, highway and streets personnel costs, and capital outlay expenditures. Governmental expenditures by functions are summarized as follows:

<u>Function</u>	<u>2017</u>		<u>2016</u>	
	<u>(In thousands)</u>			
General government	\$ 185	13%	\$ 174	14%
Public safety	819	58%	719	57%
Highways and streets	213	15%	191	15%
Culture and recreation	19	1%	26	2%
Health and welfare	3	1%	5	1%
Capital outlay	<u>174</u>	<u>12%</u>	<u>154</u>	<u>11%</u>
Total	<u>\$ 1,413</u>	<u>100%</u>	<u>\$ 1,269</u>	<u>100%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Town's General Fund budget was amended which is a customary practice of the Town for changes that occur with financial matters. The most significant changes during 2017 were as follows:

- A decrease in traffic fines revenue of \$119,250
- A decrease in LA DOTD Gateway Enhancement revenue of \$132,000,
- An increase in police officers' salaries expenditures of \$51,000,
- A decrease in capital outlay expenditures of \$172,900.

With these adjustments, revenues were \$45,400 more than the related final budget amounts of \$1.2 million, and charges to appropriations (expenditures) were \$10,500 less than the related final budget appropriation of \$1.4 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the Town had \$6.6 million invested in a broad range of capital assets, including vehicles, computer equipment, office furniture, land, buildings, water and gas distribution systems, and a sewer treatment facility.

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
	(in thousands)					
Land	\$ 131	\$ 131	\$ 36	\$ 36	\$ 167	\$ 167
Construction in process	6	6	-	72	6	78
Buildings	536	530	63	40	599	570
Infrastructure	484	540	-	-	484	540
Furniture and equipment	179	198	153	56	332	254
Vehicles	92	28	9	18	101	46
Tractors	83	19	-	-	83	19
Utility systems	-	-	4,816	5,101	4,816	5,101
Capital assets, net of depreciation	<u>\$ 1,511</u>	<u>\$ 1,452</u>	<u>\$ 5,077</u>	<u>\$ 5,323</u>	<u>\$ 6,588</u>	<u>\$ 6,775</u>

The Town elected to capitalize infrastructure assets on a prospective basis as a Phase 3 government, which is permitted by GASB No. 34. More detailed information about the Town's capital assets is presented in Note 6 to the financial statements.

Debt

At the end of 2017, the Town had \$4.1 million in debt outstanding related to the sewer construction project and net pension liability. This represents a decrease of \$195,000 from 2016, as shown below:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Amount due within one year
Public improvement revenue bonds	\$ 3,346,151	\$ -	\$ 183,000	\$ 3,163,151	\$ 184,000
Net pension liability	972,964	92,671	104,363	961,272	-
	<u>\$ 4,319,115</u>	<u>\$ 92,671</u>	<u>\$ 287,363</u>	<u>\$ 4,124,423</u>	<u>\$ 184,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town's elected and appointed officials considered many factors when setting the 2018 budget and tax rates. One of those factors is the local economy, with the major economic industries in the surrounding area being agriculture and manufacturing.

An important factor affecting the budget is the Town's fines and forfeitures revenue that approximate 41% of budgeted revenue in the General Fund. The Town budgeted an increase in revenue of \$161,000 in the General Fund compared to results for the current year. The increase relates to revenue to be received from traffic fines. Additionally, the Town is projecting an increase in expenditures of \$664,000 compared to the current year relating to scheduled capital outlay expenditures in the General Fund. If these estimates are realized during 2017, the Town's General Fund's fund balance will decrease by \$614,000, as compared to a decrease of \$273,000 during 2017.

Contacting the Town's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show accountability for the money the Town receives. Questions about this report or a need for additional financial information should be directed to the Town's Finance Office at (225) 637-2981 or P.O. Box 307, Livonia, LA 70755.

BASIC FINANCIAL STATEMENTS

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF NET POSITION

December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,561,476	\$ 51,212	\$ 1,612,688
Accounts receivable, net	51,099	66,840	117,939
Due from other governments	23,570	1,856	25,426
Prepaid assets	12,262	2,673	14,935
Restricted assets:			
Customer utility deposits	-	67,905	67,905
Debt service	-	328,963	328,963
Capital assets:			
Nondepreciable	136,563	36,073	172,636
Depreciable, net	1,374,732	5,040,724	6,415,456
Total assets	3,159,702	5,596,246	8,755,948
DEFERRED OUTFLOWS OF RESOURCES			
Pension liability	226,529	-	226,529
Total assets and deferred outflows of resources	<u>\$ 3,386,231</u>	<u>\$ 5,596,246</u>	<u>\$ 8,982,477</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 58,312	\$ 50,587	\$ 108,899
Due to other governments	19,696	-	19,696
Customer utility deposits	-	67,905	67,905
Long-term payables:			
Due within one year	-	184,000	184,000
Due in more than one year	-	2,979,151	2,979,151
Net pension liability	961,272	-	961,272
Total liabilities	1,039,280	3,281,643	4,320,923
DEFERRED INFLOWS OF RESOURCES			
Pension liability	11,308	-	11,308
Total liabilities and deferred inflows of resources	1,050,588	3,281,643	4,332,231
NET POSITION			
Net investment in capital assets	1,511,295	1,913,646	3,424,941
Restricted for debt service	-	328,963	328,963
Unrestricted	824,348	71,994	896,342
Total net position	2,335,643	2,314,603	4,650,246
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,386,231</u>	<u>\$ 5,596,246</u>	<u>\$ 8,982,477</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF ACTIVITIES

For the year ended December 31, 2017

	Program Revenues				Net Revenue (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 196,692	\$ 93,715	\$ -	\$ -	\$ (102,977)	\$ -	\$ (102,977)
Public safety	893,931	539,688	40,533	18,744	(294,966)	-	(294,966)
Highway and streets	237,656	-	-	-	(237,656)	-	(237,656)
Health and welfare	2,467	50	-	-	(2,417)	-	(2,417)
Culture and recreation	63,153	6,843	-	-	(56,310)	-	(56,310)
Total governmental activities	1,393,899	640,296	40,533	18,744	(694,326)	-	(694,326)
Business-type activities:							
Utility operations	837,098	551,961	-	-	-	(285,137)	(285,137)
Total primary government	\$ 2,230,997	\$ 1,192,257	\$ 40,533	\$ 18,744	(694,326)	(285,137)	(979,463)
General revenues:							
Taxes:							
Sales					312,514	-	312,514
Video poker					114,762	-	114,762
Franchise					70,719	-	70,719
Ad valorem					44,431	-	44,431
Beer					3,435	-	3,435
Grants and contributions not restricted to specific programs					21,019	8,675	29,694
Investment earnings					15,555	-	15,555
Gain on disposal of capital assets					50,945	-	50,945
Transfers					(159,440)	159,440	-
Total general revenues					473,940	168,115	642,055
Change in net position					(220,386)	(117,022)	(337,408)
Net position - beginning of year					2,556,029	2,431,625	4,987,654
Net position - end of year					\$ 2,335,643	\$ 2,314,603	\$ 4,650,246

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

BALANCE SHEET GOVERNMENTAL FUND

December 31, 2017

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,561,476
Accounts receivable	51,099
Due from other governments	23,570
Prepaid assets	<u>12,262</u>
Total assets	<u><u>\$ 1,648,407</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 58,312
Due to other governments	<u>19,696</u>
Total liabilities	<u>78,008</u>
FUND BALANCE	
Assigned	638,866
Unassigned	<u>931,533</u>
Total fund balance	<u>1,570,399</u>
Total liabilities and fund balance	<u><u>\$ 1,648,407</u></u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

December 31, 2017

Total net assets reported for governmental activities in the statement of net position is different because:

Total fund balance - governmental fund (Exhibit A-2)		\$ 1,570,399
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental fund, net of accumulated depreciation.		1,511,295
Long-term payables are not due and payable in the current period, and, therefore, are not presented in the governmental fund:		
Deferred outflows related to pension liability	226,529	
Deferred inflows related to pension liability	(11,308)	
Net pension liability	(961,272)	(746,051)
Net position of governmental activities (Exhibit A)		\$ 2,335,643

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

For the year ended December 31, 2017

	<u>General Fund</u>
REVENUES	
Taxes:	
Sales and use	\$ 312,514
Video poker	114,762
Franchise	70,719
Ad valorem	44,431
Beer	3,435
Fines	539,688
License and permits	84,302
Intergovernmental	40,708
Charges for services	16,306
Investment income	15,555
Total revenues	<u>1,242,420</u>
EXPENDITURES	
Current function:	
General government	184,919
Public safety	818,890
Highways and streets	213,393
Health and welfare	2,467
Culture and recreation	19,334
Capital outlay	174,431
Total expenditures	<u>1,413,434</u>
Deficiency of revenues over expenditures	<u>(171,014)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from insurance recoveries	57,716
Transfers in	58,000
Transfers out	<u>(217,440)</u>
Total other financing sources (uses), net	<u>(101,724)</u>
Net change in fund balance	(272,738)
FUND BALANCE	
Beginning of year	<u>1,843,137</u>
End of year	<u>\$ 1,570,399</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

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

For the year ended December 31, 2017

The change in net position reported for governmental activities in the statement of activities is different because:

Net change in fund balance - total governmental funds (Exhibit A-4)		\$ (272,738)
<p>The governmental fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.</p>		
Capital outlay	174,431	
Depreciation expense	<u>(126,798)</u>	47,633
<p>Disposal of capital assets which were not fully depreciated resulted in a decrease of net assets</p>		
		(6,771)
<p>The net effect of transactions involving donations of capital assets, is to increase net position</p>		
		18,569
<p>Changes in net pension obligations are reported only in the Statement of Activities</p>		
		<u>(7,079)</u>
Change in net position of governmental activities (Exhibit A-1)		<u>\$ (220,386)</u>

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND

December 31, 2017

	<u>Public Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 51,212
Accounts receivable, net	66,840
Due from other governments	1,856
Prepaid expenses	<u>2,673</u>
Total current assets	122,581
Restricted assets:	
Customer utility deposits	67,905
Debt service	328,963
Capital assets:	
Nondepreciable	36,073
Depreciable, net	<u>5,040,724</u>
Total assets	<u>\$ 5,596,246</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 50,587
Customer utility deposits	<u>67,905</u>
Total current liabilities	118,492
Non-current liabilities:	
Due within one year	184,000
Due in more than one year	<u>2,979,151</u>
Total liabilities	<u>3,281,643</u>
NET POSITION	
Net investment in capital assets	1,913,646
Restricted for debt service	328,963
Unrestricted	<u>71,994</u>
Total net position	<u>2,314,603</u>
Total liabilities and net position	<u>\$ 5,596,246</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND

For the year ended December 31, 2017

	<u>Public Utility Fund</u>
OPERATING REVENUES	
Charges for services:	
Water	\$ 212,883
Natural gas	129,030
Sewer	173,053
Other	<u>36,995</u>
Total operating revenues	<u>551,961</u>
OPERATING EXPENSES	
Depreciation	308,569
Personnel	204,024
Maintenance and supplies	135,088
Natural gas purchases	48,807
General and administrative	43,887
Utilities	36,770
Insurance	32,331
Professional services	<u>12,976</u>
Total operating expenses	<u>822,452</u>
Operating loss	(270,491)
NONOPERATING REVENUE (EXPENSE)	
Proceeds from insurance reimbursement	8,675
Interest	<u>(14,646)</u>
Deficiency before capital grants and contributions and transfers	(276,462)
Transfers in	217,440
Transfers out	<u>(58,000)</u>
Change in net position	(117,022)
NET POSITION	
Beginning of year	<u>2,431,625</u>
End of year	<u>\$ 2,314,603</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS**

For the year ended December 31, 2017

	<u>Public Utility Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 567,677
Payments to suppliers	(359,261)
Payments to employees	(204,024)
	4,392
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers in from other funds	217,440
Transfers out to other funds	(58,000)
Insurance proceeds	8,675
	168,115
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(62,054)
Increase in cash restricted for debt service	(56,941)
Principal payment on bonds	(183,000)
Interest payments on bonds	(14,646)
Decrease in due from other governments	37,231
	(279,410)
Net decrease in cash	(106,903)
CASH	
Beginning of period	226,020
End of period	\$ 119,117
RECONCILIATION OF CASH	
Cash and cash equivalents	51,212
Restricted cash deposits	67,905
	\$ 119,117
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (270,491)
Adjustments for to reconcile operating loss to net cash provided by operating activities:	
Depreciation	308,569
Change in operating assets and liabilities:	
Accounts receivable and other assets	13,488
Accounts payable and accrued liabilities	(47,174)
	\$ 4,392

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF LIVONIA, LOUISIANA**NOTES TO FINANCIAL STATEMENTS****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Statement Presentation**

The Town of Livonia was established in 1846, incorporated in 1960 and is a political subdivision of the State of Louisiana. The Town, under the provisions of the Lawrason Act, enacts ordinances, sets policy and establishes programs in such fields as public safety, public works, health and welfare, culture and recreation, and utility operations.

The financial statements of the Town of Livonia, Louisiana (Town) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant accounting policies established in GAAP and used by the Town are described below. The Town follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain significant components in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town’s overall financial position and results of operations,
- Financial statements prepared using accrual basis accounting for all of the Town’s activities, including infrastructure (roads, bridges, etc.), and
- Fund financial statements to focus on the major funds.

Reporting Entity

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

GASB Statement No. 14, as amended by GASB Statement No. 61, established 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 financial accountability.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

As required by generally accepted accounting principles, these financial statements present the Town and, where applicable, its component units. However, there are no component units to be included either blended within the Town's funds or discretely presented in these financial statements.

Basis of Presentation

The Town's basic financial statements consist of the government-wide statements of the primary government and the fund financial statements (individual major funds). The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units.

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all non-fiduciary activities of the Town. 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 government as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These statements distinguish between the governmental and business-type activities of the Town.

Governmental activities generally are financed through taxes, intergovernmental revenues, fines, charges for services, and other nonexchange revenues.

Business type activities are financed in whole or in part by fees charged to external parties for utility services provided. The Town's natural gas, sewer, and water services are classified as business-type activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (Continued)

The government-wide 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. 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 business-type activity, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are very similar to the traditional government fund statements as prepared by governments prior to the issuance of GASB No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column in the basic financial statements. The Town does not have any non-major funds in 2017.

The daily operations of the Town continue to be organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The Town does not have any fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the Town (the General Fund) or meets the following criteria:

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The various funds of the primary government presented in the financial statements are described as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use, and balances of expendable financial resources and related liabilities of the Town are accounted for through governmental funds. Measurement is focused upon determining changes in financial position, rather than net income.

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

Proprietary Fund Types

Enterprise Funds - Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Town considers the Public Utilities Fund a major enterprise fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Program revenues for governmental activities include operating and capital grants, traffic fines, and occupational licenses and permits.

Fund financial statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in fund balance. Governmental funds are maintained on the modified accrual basis of accounting. Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). "Available" means collectible within the current period or within 60 days after year-end. Charges for services, fines and forfeitures, and most governmental revenues, are recorded as earned since they are measurable and available.

Nonexchange transactions, in which the Town receives value without directly giving value in return, includes sales tax, ad valorem tax, and federal and state grants. Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15th of each year, and become delinquent after December 31st. The taxes are generally collected in December of the current year and January and February of the following year.

Sales taxes are recorded when in the possession of the intermediary collecting agent and are recognized as revenue at that time and are subject to the availability criteria. Federal and state grants are recorded as revenue when the Town is entitled to the funds, generally corresponding to when grant related costs are incurred by the Town, but subject to the availability criteria.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) unmatured interest on general long-term debt which is recognized when due, and (2) claims and judgments, and compensated absences which are recorded as expenditures in the governmental fund type when paid with expendable financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (Continued)

Fund financial statements (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. Proprietary funds are maintained on the accrual basis of accounting whereas revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

Cash and Cash Equivalents

Cash and cash equivalents for the Town include the Louisiana Asset Management Pool (LAMP) account deposits as well as the Town's operating cash accounts.

The investment policy of the Town is governed by state statutes that include depository and custodial contract provisions. The Town invests funds in accordance with L.R.S. 39:1211-1245 and 33:2955 which include, but are not limited to, United States Treasury Bonds, Treasury Notes, Treasury Bills, and fully collateralized interest bearing checking accounts and certificates of deposit. Other provisions require depositories to insure or collateralize all deposits in accordance with state law and require securities collateralizing deposits to be held by an independent third party with whom the Town has a custodial agreement. The Town primarily utilizes the LAMP to invest idle funds.

For purposes of the Statement of Cash Flows, liquid investments of the enterprise fund with a maturity of three months or less are considered to be cash equivalents.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 2.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities uncollectible amounts due for receivables are recognized as bad debts and directly charged off at the time information becomes available which indicates that the particular receivable is not collectible and the uncollectible amount is charged to the revenue reported.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

In business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. An allowance for doubtful accounts of \$12,000 was recorded at December 31, 2017.

Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as “due from other funds” or “due to other funds” on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” There were no internal balances at December 31, 2017.

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Major capital outlays for capital assets and improvements are capitalized at the completion of construction projects.

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

Prior to the implementation of GASB No. 34, governmental funds' infrastructure assets were not capitalized. The Town has elected to capitalize infrastructure expenditures on a prospective basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Government-wide Statements (Continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	7-40 years
Infrastructure	15-40 years
Furniture and equipment	5-10 years
Vehicles	5-10 years
Tractors	5-10 years

Fund Financial Statements

In the fund financial statements capital assets used in governmental fund operations are recorded as capital outlay expenditures of the governmental fund types when purchased. Capital assets used in proprietary fund operations are accounted for in the same manner as in government-wide statements.

Property, plant and equipment used by the proprietary funds are stated at cost. Interest costs incurred during construction periods are capitalized. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	7-40 years
Utility systems	5-50 years
Machinery and equipment	3-10 years
Furniture and equipment	10 years
Vehicles	5 years

Compensated Absences

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

After six months of service, a full-time employee is eligible for 40 hours of vacation leave. Beginning in their third year of service, vacation leave is increased to 80 hours annually. Beginning in their six year of service, vacation leave is increased to 120 hours annually. After 10 years of service, vacation leave is increased to 160 hours annually. During the first year of service, an employee accrues sick leave at one-half day per month, or six working days a year. After their first year, employees earn sick leave at one day per month, or twelve days per year. These benefits are non-cumulative and must be taken when earned. Thus, a liability is not recorded in these financial statements for compensated absences.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and related debt that was used to acquire those assets.
- Restricted net position – consist of net position that is restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – amounts that cannot be spent because they are either in a nonspendable form or they are legally or contractually required to be maintained intact.
- Restricted – amounts that can be spent only for specific purposes because of the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – amounts that can be used only for specific purposes determined by a formal action by Town council ordinance.
- Assigned – amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- Unassigned – all amounts not included in other spendable classifications.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (fund balance), the Town's policy is to apply the expenditure in the following priority:

1. Restricted fund balance,
2. Committed fund balance,
3. Assigned fund balance, and
4. Unassigned fund balance.

When an expense is incurred in government activities that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense to the restricted net position before unrestricted net position is utilized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transfers

Advances between funds which are not expected to be repaid are accounted for as transfers.

In cases where repayment is expected, the advances are accounted through the various interfund accounts. The General Fund transferred \$217,440 to the Utility Fund, whereas the Utility Fund transferred \$58,000 to the General Fund, in 2017.

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted to the Mayor and Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the accrual basis, covers the General Fund and Public Utility Fund. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unassigned fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Sales and Use Tax

The Town has a permanent one cent sales and use tax that is available for general purposes.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for uncollectible accounts and depreciation.

Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through May 23, 2018, which was the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

The Town may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

Custodial credit risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned to them. To mitigate this risk, state law requires public deposits to be secured by federal deposit insurance or the pledge of qualified securities owned by the fiscal agent financial institution. As of December 31, 2017, the Town had no unsecured deposits.

As of December 31, 2017 the Town had a balance of \$1,683,860 invested in LAMP.

LAMP is administered by 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 pools 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 value of the portfolio is carried at amortized cost.

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 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.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days.

The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value.

For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of the participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid so that its participants have immediate access to their account balances.

Investment by the Town in the LAMP pool is considered unclassified as to credit risk provided by GASB Codification Section 150.125 because the investment is in a pool of funds and, therefore, not evidenced by securities that exist in physical or book form.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The government's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name, or (3) uninsured and unregistered for which securities are held by the broker or dealer, or by its trust department or agent but not in the government's name. Cash and cash equivalents consisted of the following as of December 31, 2017:

Unrestricted:

Investments in LAMP	\$ 1,512,376
Deposits	100,112
Cash on hand	200
Total unrestricted	\$ 1,612,688

Restricted:

Investments in LAMP	\$ 171,484
Deposits	225,384
Total restricted	\$ 396,868

NOTE 3 - CONCENTRATION OF CREDIT RISK - ENTERPRISE FUND

Accounts receivable and related user fees from utility customers were comprised largely of residents in the Town. Most customers have made deposits to partially secure their outstanding balance.

NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

Accounts receivable at December 31, 2017 for the primary government, were as follows:

Primary Government

Utility charges, net	\$ 66,840
Ad valorem taxes	34,313
Franchise taxes	16,161
Other	625
Total primary government	\$ 117,939

**NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS
(CONTINUED)**

Due from other governments at December 31, 2017 for the primary government, were:

Primary Government

Video poker tax	\$	20,355
Grants receivable		5,071
Total primary government	\$	25,426

NOTE 5 - AD VALOREM TAXES

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15% of fair market value; and public service properties, excluding land, are to be assessed at 25% of fair market value.

Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

All ad valorem (property) taxes are recorded in governmental funds, and as explained in Note 1, revenues in governmental funds are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the taxes assessed for the calendar year falling within the current fiscal year are recorded as revenue. Property taxes are collected by the tax collector and remitted to the Town within the availability period, and are therefore available to liquidate liabilities of the current period.

Taxes are levied by the Town in September or October, and are billed to the taxpayers in November. Billed taxes become delinquent on December 31st. Revenues from ad valorem taxes are budgeted in the year assessed. Ad valorem taxes attach as an enforceable lien on property as of January 1st of each year.

For 2017, taxes of 4.83 mills were levied on property with assessed valuations totaling \$9,234,905, and were dedicated to general governmental operations. Total taxes levied were \$44,431, with \$50,719, including delinquent taxes from prior years, collected during 2017.

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2017, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 130,537	\$ -	\$ -	\$ 130,537
Construction in progress	6,026	-	-	6,026
Total capital assets not being depreciated	<u>136,563</u>	<u>-</u>	<u>-</u>	<u>136,563</u>
Capital assets being depreciated:				
Buildings and improvements	760,297	27,182	-	787,479
Infrastructure	827,659	-	-	827,659
Furniture and equipment	534,918	36,391	-	571,309
Vehicles	246,464	91,237	(97,645)	240,056
Tractors	228,061	38,190	-	266,251
Total capital assets being depreciated	<u>2,597,399</u>	<u>193,000</u>	<u>(97,645)</u>	<u>2,692,754</u>
Less accumulated depreciation for:				
Buildings and improvements	230,155	21,151	-	251,306
Infrastructure	302,287	41,663	-	343,950
Furniture and equipment	360,744	31,427	-	392,171
Vehicles	215,654	23,167	(90,874)	147,947
Tractors	173,258	9,390	-	182,648
Total accumulated depreciation	<u>1,282,098</u>	<u>126,798</u>	<u>(90,874)</u>	<u>1,318,022</u>
Total capital assets being depreciated, net	<u>1,315,301</u>	<u>66,202</u>	<u>(6,771)</u>	<u>1,374,732</u>
Total governmental capital assets, net	<u>\$ 1,451,864</u>	<u>\$ 66,202</u>	<u>\$ (6,771)</u>	<u>\$ 1,511,295</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental activities:	Amount
Public safety	\$ 46,943
Culture and recreation	43,819
Highways and streets	24,263
General government	<u>11,773</u>
Total depreciation expense - governmental activities	<u>\$ 126,798</u>

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 36,073	\$ -	\$ -	\$ 36,073
Construction in progress	72,210	-	(72,210)	-
Capital assets not being depreciated:	<u>108,283</u>	<u>-</u>	<u>(72,210)</u>	<u>36,073</u>
Capital assets being depreciated:				
Buildings and improvements	88,072	26,418	-	114,490
Natural gas system	260,476	-	-	260,476
Water system	1,868,035	-	-	1,868,035
Sewer system	5,069,259	-	-	5,069,259
Machinery and equipment	187,645	106,863	-	294,508
Furniture and equipment	13,488	983	-	14,471
Vehicles	76,489	-	-	76,489
Capital assets being depreciated:	<u>7,563,464</u>	<u>134,264</u>	<u>-</u>	<u>7,697,728</u>
Less accumulated depreciation for:				
Buildings and improvements	47,526	3,153	-	50,679
Natural gas system	188,432	6,961	-	195,393
Water system	1,239,316	74,964	-	1,314,280
Sewer system	669,936	203,429	-	873,365
Machinery and equipment	127,295	10,460	-	137,755
Furniture and equipment	17,810	614	-	18,424
Vehicles	58,120	8,988	-	67,108
Total accumulated depreciation	<u>2,348,435</u>	<u>308,569</u>	<u>-</u>	<u>2,657,004</u>
Total capital assets being depreciated, net	<u>5,215,029</u>	<u>(174,305)</u>	<u>-</u>	<u>5,040,724</u>
Total business-type capital assets, net	<u>\$ 5,323,312</u>	<u>\$ (174,305)</u>	<u>\$ (72,210)</u>	<u>\$ 5,076,797</u>

NOTE 7 - LONG-TERM DEBT

The summary of long-term debt transactions for the primary government for the year ended December 31, 2017, is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Amount due within one year
Public improvement revenue bonds	\$ 3,346,151	\$ -	\$ 183,000	\$ 3,163,151	\$ 184,000
Net pension liability	<u>972,964</u>	<u>92,671</u>	<u>104,363</u>	<u>961,272</u>	<u>-</u>
	<u>\$ 4,319,115</u>	<u>\$ 92,671</u>	<u>\$ 287,363</u>	<u>\$ 4,124,423</u>	<u>\$ 184,000</u>

Long-term debt obligations for the primary government at December 31, 2017, are comprised of the following:

Public Improvement Revenue Bonds

\$3,696,000 Sewer revenue bonds dated November 1, 2012; due in annual installments of \$184,000 – \$211,000 through May 2033; interest at 0.45%.

\$ 3,163,151

Net pension liability

961,272

Total long-term debt for primary government

\$ 4,124,423

Debt Service Requirements to Maturity

The annual debt service requirements to amortize outstanding long-term debt of the primary government at December 31, 2017 are as follows:

Year	Sewer Revenue Bonds			
	Principal	Interest	DEQ Fees	Total
2018	\$ 184,000	\$ 13,820	\$ 15,356	\$ 213,176
2019	186,000	12,988	14,431	213,419
2020	188,000	12,146	13,496	213,642
2021	190,000	11,296	12,551	213,847
2022	191,000	10,438	11,598	213,036
2023 - 2027	984,000	39,052	43,392	1,066,444
2028 - 2032	1,032,000	16,392	18,212	1,066,604
2033	208,151	468	520	209,139
Total	<u>\$ 3,163,151</u>	<u>\$ 116,600</u>	<u>\$ 129,556</u>	<u>\$ 3,409,307</u>

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Bond Restrictions

Sewer Revenue Bond - Series 2012 - Debt Service Fund to be used for the payment of principal and interest on outstanding bonds as they are due and payable. Monthly payments are to be equal to the sum of one-sixth of interest and administrative fees falling due on the next interest payment date and one-twelfth of principal falling due on the next principal payment date. The sum of \$216,855 has been deposited for this requirement.

Sewer Revenue Bond - Series 2012 - Reserve Fund to be used for the payment of principal and interest on bonds payable from the Bond Sinking Fund, as to which there would otherwise be default. The sum of \$103,579 has been deposited therein for this requirement.

Sewer Revenue Bond - Series 2012 - Depreciation & Contingency Fund to be used for the payment of extensions, additions, improvements, renewals, and replacements necessary to properly operate the system. Monthly deposits are to be equal to the sum of 5% of the net revenues of the preceding month, provided the sum is available, until \$130,000 has accumulated in the fund. The sum of \$8,529 has been deposited to date for this requirement.

NOTE 8 - PENSION PLAN

The Town of Livonia (the Town) is a participating employer a cost sharing defined benefit pension plans. This plans is administered by the Municipal Police Employee's Retirement System (MPERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. Each system is administered by a separate board of trustees.

Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan Description

The Municipal Police Employees' Retirement System (MPERS) is the administrator of a cost-sharing multiple-employer plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security, and meets the statutory criteria. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

NOTE 8 - PENSION PLAN (CONTINUED)

Plan Description (Continued)

The System issues an annual financial report that is available to the public which includes financial statements and required supplementary information for the System. This report may be obtained by writing, calling, or downloading the reports as follows:

MPERS: 7722 Office Park Boulevard | Baton Rouge, Louisiana 70809 | www.lampers.org

Funding Policy

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee (PRSAC).

Contributions to the plan are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended December 31, 2017, for the Town and covered employees were as follows:

	Town	Employees
Municipal Police Employees' Retirement System		
All employees hired prior to 01/01/2013 and all Hazardous Duty employees hired after 01/01/2013	31.75%	10.00%
Non-Hazardous Duty (hired after 01/01/2013)	33.75%	8.00%
Employees receiving compensation below poverty guidelines of US Department of Health	34.25%	7.50%

The Town had contributions of approximately \$111,800, \$92,400, and \$87,500 during 2017, 2016, and 2015, respectively.

NOTE 8 - PENSION PLAN (CONTINUED)

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

At December 31, 2017, the Town reported a net pension liability of \$961,272 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Based on actuarial valuations as of June 30, 2017, the Town's proportion was .1101%, which was an increase of .01% from its proportion measured as of June 30, 2016 at .1038%.

For the year ended December 31, 2017, the Town recognized pension expense of \$146,988 related to the plan, net of non-employer contributions of \$21,019.

At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,294	\$ 7,389
Changes of assumptions	68,400	-
Net difference between projected and actual earnings on pension plan investments	42,081	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	54,269	3,919
Employer contributions subsequent to the measurement date	55,485	-
	\$ 226,529	\$ 11,308

The Town reported \$55,485 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

December 31, 2018	\$ 68,823
December 31, 2019	67,096
December 31, 2020	46,323
December 31, 2021	(22,506)
	\$ 159,736

NOTE 8 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

Valuation Dates	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.325%, net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.75%

Salary increases, including inflation and merit:

<u>Years of Service</u>	<u>Salary Growth Rate</u>
1-2	9.75%
3-23	4.75%
Over 23	4.25%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting long-term rate of return is 8.19% for the year ended June 30, 2017.

NOTE 8 - PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long - Term Expected
	MPERS	MPERS
Equity	53%	3.66%
Fixed Income	21%	0.52%
Alternatives	20%	1.10%
Other	6%	0.16%
Total	<u>100%</u>	<u>5.44%</u>
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>8.19%</u>

Discount Rate

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for MPERS 7.325% for the year ended June 30, 2017.

Sensitivity to Changes in Discount Rate

The following presents the Town's proportionate share of the Net Pension Liability (NPL) using the discount rate of each Retirement System as well as what the Town's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by each of the Retirement Systems:

	1.0% Decrease	Current Discount Rate	1.0% Increase
Discount Rates	6.325%	7.325%	8.325%
Shares of Net Pension Liability	\$ 1,328,090	\$ 961,272	\$ 653,538

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There were no major changes in insurance coverage from the prior year and settlements have not exceeded coverage in the current year or in the past three years.

Grants

The Town receives federal and state grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the Town management that its compliance with the terms of grants will result in negligible, if any, disallowed costs.

NOTE 10 - DEFERRED COMPENSATION PLAN

The Town offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, permitting them to defer a portion of their salary until future years. The Plan is administered by Massachusetts Mutual Financial Group. (MassMutual) who is also the Plan's Trustee.

Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the amended provisions of the Internal Revenue Code, all amounts deferred under the Plan, including income attributable to those amounts, are solely the property and rights of the participants and their beneficiaries.

MassMutual held Plan assets of \$356,711 at December 31, 2017.

The Town has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Under this statement governments that have no responsibility for the Plan and are not formally considered the Plan's trustee are not required to report the Plan in its financial statements. Since the Town Plan is held in a custodial account with a third party administrator, the assets and liabilities are not presented in the Town's financial statements.

NOTE 11 - COMPENSATION OF GOVERNING BODY

During 2017, Council members received compensation as follows:

	<u>Amount</u>
James R. Bergeron	\$ 6,025
Gregory M. Jarreau	6,025
John T. Jarreau	6,025
Ron V. Leblanc	6,025
Warren C. Pourciau	<u>6,025</u>
 Total	 <u>\$ 30,125</u>

TOWN OF LIVONIA, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF LIVONIA, LOUISIANA
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance - positive (negative)
REVENUES				
Taxes:				
Sales	\$ 300,000	\$ 308,000	\$ 312,514	\$ 4,514
Video poker	120,000	119,000	114,762	(4,238)
Franchise	73,300	72,750	70,719	(2,031)
Ad valorem	47,000	47,000	44,431	(2,569)
Beer	4,000	3,500	3,435	(65)
Fines	611,050	491,800	539,688	47,888
Licenses and permits	83,000	82,700	84,302	1,602
Intergovernmental	172,000	40,000	40,708	708
Charges for services	12,605	14,690	16,306	1,616
Investment income	12,718	17,601	15,555	(2,046)
Total revenues	<u>1,435,673</u>	<u>1,197,041</u>	<u>1,242,420</u>	<u>45,379</u>
EXPENDITURES				
Current function:				
General government	180,510	187,584	184,919	2,665
Public safety	762,680	828,553	818,890	9,663
Highways and streets	199,928	210,284	213,393	(3,109)
Health and welfare	1,000	1,600	2,467	(867)
Culture and recreation	25,800	21,053	19,334	1,719
Capital outlay	347,768	174,854	174,431	423
Total expenditures	<u>1,517,686</u>	<u>1,423,928</u>	<u>1,413,434</u>	<u>10,494</u>
Deficiency of revenues over expenditures	<u>(82,013)</u>	<u>(226,887)</u>	<u>(171,014)</u>	<u>55,873</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	8,000	-	-	-
Proceeds from insurance recoveries	56,420	57,716	57,716	-
Transfers in	169,000	69,000	58,000	(11,000)
Transfers out	(217,500)	(217,500)	(217,440)	60
Total other financing sources (uses), net	<u>15,920</u>	<u>(90,784)</u>	<u>(101,724)</u>	<u>(10,940)</u>
Net change in fund balance	<u>\$ (66,093)</u>	<u>\$ (317,671)</u>	<u>(272,738)</u>	<u>\$ 44,933</u>
FUND BALANCE				
Beginning of year			<u>1,843,137</u>	
End of year			<u>\$ 1,570,399</u>	

TOWN OF LIVONIA, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended December 31, 2017

NOTE 1 - BUDGETS

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the modified accrual basis, covers the general fund and enterprise fund (accrual basis). At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unassigned fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Basis of Accounting

All of the Town's funds budgets are prepared on the accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended December 31, 2017. The Town's basis of budgetary accounting follows generally accepted accounting principles.

TOWN OF LIVONIA, LOUISIANA
SCHEDULE OF PROPORTIONATE SHARE
OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS (1)(2)

	<u>2017</u>		<u>2016</u>		<u>2015</u>
	MPERS		MPERS		MPERS
Employer's Proportion of the Net Pension Liability	0.1101%		0.1038%		0.1049%
Employer's Proportion of the Net Pension Liability	\$ 961,272	\$	972,964	\$	821,468
Employer's Covered-Employee Payroll	336,114		283,050		280,420
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	34.966%		29.092%		34.136%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.081%		66.042%		70.730%

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

(2) The amounts presented have a measurement period of the July 1st through June 30th of the Plan year.

TOWN OF LIVONIA, LOUISIANA
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS (1)(2)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>MPERS</u>	<u>MPERS</u>	<u>MPERS</u>
Contractually Required Contribution	\$ 111,810	\$ 85,870	\$ 88,422
Contributions in Relation to Contractually Required Contribution	<u>111,810</u>	<u>92,370</u>	<u>87,542</u>
Contribution (Excess) Deficiency	<u>\$ -</u>	<u>\$ (6,500)</u>	<u>\$ 880</u>
Employer's Covered Employee Payroll	\$ 357,845	\$ 279,550	\$ 288,433
Contributions as a % of Covered Employee Payroll	31.25%	33.04%	30.35%

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

(2) The amounts presented have a measurement date of the Town's fiscal year.

TOWN OF LIVONIA, LOUISIANA

**NOTES TO PROPORTIONATE SHARE OF NET PENSION
LIABILITY AND SCHEDULE OF PENSION CONTRIBUTIONS**

For the year ended December 31, 2017

NOTE 1 - NET PENSION LIABILITY

Changes of Benefit Terms

Municipal Police Employees' Retirement System

No Changes.

Changes of Assumptions

Municipal Police Employees' Retirement System

The inflation rate decreased from 2.875% to 2.700%. Investment rate of return decreased from 7.500% to 7.325%. Long-term expected real rate of return decreased from 8.25% to 8.19%.

TOWN OF LIVONIA, LOUISIANA

OTHER SUPPLEMENTARY INFORMATION

TOWN OF LIVONIA, LOUISIANA

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

For the year ended December 31, 2017

Agency Head: Mayor Rhett Pouricau

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 12,025
Travel	1,000
Registration fees	200
Per diem	153
Supplies	<u>79</u>
Total	<u>\$ 13,457</u>

SPECIAL INDEPENDENT AUDITORS' REPORTS

For the year ended December 31, 2017



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and
Members of the Town Council,
Town of Livonia, Louisiana

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the **TOWN OF LIVONIA, LOUISIANA (TOWN)** as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 23, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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.

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

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

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as item 2017-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

The Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

This report is intended solely for the information and use of the Town Council and management, the Louisiana Legislative Auditor, and federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
May 23, 2018

TOWN OF LIVONIA, LOUISIANA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2017

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
- B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2017-001.**
Material weaknesses: **None.**
- C) Noncompliance that is material to the financial statements: **None.**

- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2017-001.**

TOWN OF LIVONIA, LOUISIANA

SUMMARY OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2017

3) FINDINGS - FINANCIAL STATEMENT AUDIT

2017-001 Segregation of Duties

Condition: The Town does not have adequate segregation of duties over the financial reporting process.

Criteria: Duties within the Town's financial reporting process should be segregated between different individuals to ensure effective internal control over financial reporting.

Cause: The finding results from the small number of Town personnel involved in the financial reporting process, which restricts meaningful segregation of duties.

Effect: The Town does not adequate internal control over financial reporting.

Recommendation: We recommend that the Town continue the current process of:

- Obtaining the Mayor's approval for all Town disbursements,
- The unopened monthly bank statement (including all cancelled checks) be reviewed by the Mayor,
- The Mayor review and sign off bank reconciliations,
- The Mayor and Town Council review the Town's financial statements, on a monthly basis with comparison to budgeted amounts. Furthermore, a listing of monthly cash disbursements be reviewed with the monthly financial statements.

Management's corrective action plan: Due to the size of the Town, the achievement of adequate segregation of duties is desirable to management but is economically impractical. However, the Mayor approves all disbursements of the Town within the range of the Council approved budget, except for those disbursements within the designated Police Department budget which are approved by the elected chief of police. All check disbursements are to have dual signatures per Town policy.

TOWN OF LIVONIA, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2017

2016-001 Preparation of Financial Statements

This finding is considered resolved.

2016-002 Segregation of Duties

This finding has been reclassified as 2017-001.

2016-003 Oversight of Contractual Agreements

This finding is considered resolved.

2016-004 Noncompliance with Debt Covenant

This finding is considered resolved.

TOWN OF LIVONIA, LOUISIANA
INDEPENDENT AUDITORS' REPORT ON AGREED-UPON PROCEDURES

December 31, 2017



**INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Member of the Council
of the Town of Livonia and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Livonia (The Town) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017, through December 31, 2017. The City's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

The Town has no written policies on budgeting.

- b. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The Town has no written policies on purchasing.

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

The Town has no written policies on disbursements.

- d. Receipts, including receiving, recording, and preparing deposits.

The Town has no written policies on receipts.

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

The Town's policies and procedures over payroll/personnel address all criteria listed above.

- f. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The Town has no written policies on contracting.

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

The Town has no written policies on credit cards.

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

The Town's policies and procedures over travel and expense reimbursement address all criteria listed above except (2).

- i. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

The Town has no written policies on ethics.

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

The Town has no written policies on debt service.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a. Report whether the managing board met (with quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The Town Council met at least once monthly with quorum.

- b. Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

The minutes do not reference monthly budget to actual comparisons. The minutes did reference several times throughout the fiscal year where the budget was discussed and amended as necessary. The Town Clerk does provide financial statements monthly with budget to actual comparisons although they do not refer to them in the minutes.

- c. Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The Town's minutes discussed non-budgetary financial information, including approval of contracts, accounting policies, and other financial policies.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

A list of the Town's bank accounts was provided by management and management represented that the list was complete.

4. Using the listing provided by management, select all the of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a. Bank reconciliations have been prepared;

No exceptions noted.

- b. Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

There was no evidence on the bank reconciliations that showed a member of management or a board member with no involvement with financial activity reviewed the reconciliations.

- c. If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

There was no documentation showing that outstanding items for more than 6 months were researched by management.

Collections

5. Obtain a listing of cash/check/money order (cash) collection location and management's representation that the listing is complete.

Management represented that the Town maintains only one collection location, City Hall, which has three personnel who collect cash (utility clerk, police clerk, and the clerk's office).

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a. Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

The Town has no policies or documented procedures for personnel in responsible for cash collections.

- b. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The Town has no written policies or documentation for procedures to reconcile cash collections.

- c. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - i. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

The following exceptions were noted:

51 deposits were tested; 17 exceptions were discovered where deposits were not made within 1 day of collection. The average lag time between collection and deposit was 2 days.

- ii. Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections

The Town has no written documentation on determining completeness of collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

A check register of disbursements for the year ended December 31, 2017 was obtained. Management represented that the listing was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a. Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The Town does not utilize a purchase order system.

- b. Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

No purchases were initiated by a pre-approved purchase order.

- c. Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

No purchases were initiated by a pre-approved purchase order.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The Town Clerk is responsible for processing payments and has the ability to add vendors to the entity's purchasing/disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The Mayor, who has signatory authority and makes the final authorization for disbursements, has no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The Town Clerk has signatory authority and has access to the supply of unused checks; however, the Mayor has final approval on all disbursements.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

No signature stamp is used by the Town.

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

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

The Town provided a listing of all active credit cards and names of individuals with access to the cards. Management represented that the listing was complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a. Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

No exceptions noted.

- b. Report whether finance charges and/or late fees were assessed on the selected statements.

No exceptions noted.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a. For each transaction, report whether the transaction is supported by:

- i. An original itemized receipt (i.e., identifies precisely what was purchased)

Upon reviewing ten credit cards with total charges of \$3,953; seven charges totaling \$524 did not have supporting documentation.

- ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

No exception noted.

- iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No exceptions noted.

- b. For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions noted.

- c. For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

Travel and Expense Reimbursement

- 17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Management provided a general ledger detail for the account in which all travel and expense reimbursements were coded. Management represented that the list was complete.

- 18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

No exceptions noted.

- 19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail.

- a. Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

No exceptions noted.

b. Report whether each expense is supported by:

- i. An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions noted.

- ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted.

- iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions noted.

- c. Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d. Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

One exception was noted where approval was made by the Mayor for his own reimbursement for \$153. This reimbursement was for a per-diem where the approval was for a group of individuals who attended a conference, whereas the Mayor's reimbursement was included in the batch of reimbursements he approved.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

The Town provided a list of all contracts and management represented the list was complete.

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

The check register was sorted by vendor to determine which vendors were paid the most money during the fiscal year.

- a. Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

No exceptions noted.

- b. Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- i. If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

No exceptions noted.

- ii. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

No exceptions noted.

- c. Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No contracts selected for testing were amended during the fiscal year.

- d. Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No exceptions noted.

- e. Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No exceptions noted.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a. Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No exceptions noted.

- b. Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No exceptions noted.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

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

No exceptions noted.

- b. Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

No exceptions noted.

- c. Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

No exceptions noted.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No exceptions noted.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No exceptions noted.

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

One of five employees tested had not completed ethics training during the year.

Ethics

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

No ethics violations reported.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

The Town issued no debt during the fiscal year.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

No exception noted.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The Town had no tax millage relating to debt service.

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Per inquiry with management, there have been no appropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

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

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

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, LA
May 23, 2018