

TOWN OF BALDWIN, LOUISIANA

Financial Report

Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Honorable Donna Lewis Lanceslin, Mayor
and Members of the Board of Aldermen
Town of Baldwin, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Baldwin, Louisiana (hereinafter "Town"), as of and for the year ended June 30, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Town will continue as a going concern. As discussed in Note 11 to the financial statements, the Town has fund balance deficiencies that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information and schedules for the employer's share of net pension liability and employer pension contributions 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 the 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 budgetary comparison information on pages 47 through 51, schedule of employer's share of net pension liability on page 52, schedule of employer contributions on page 53, and note to retirement system schedules on page 54 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a required 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. Our opinion on the basic financial statements is not affected by this missing information.

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 other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information on pages 56 through 62 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 21, 2018

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF BALDWIN, LOUISIANA

Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 164,365	\$ 122,322	\$ 286,687
Receivables, net	201,706	87,403	289,109
Due from other governmental units	14,346	-	14,346
Internal balances	19,796	(19,796)	-
Prepaid expenses	28,251	2,498	30,749
Total current assets	<u>428,464</u>	<u>192,427</u>	<u>620,891</u>
Noncurrent assets:			
Restricted assets	-	7,104	7,104
Land and construction in progress	464,872	116,110	580,982
Capital assets net of accumulated depreciation	4,556,419	2,282,252	6,838,671
Total noncurrent assets	<u>5,021,291</u>	<u>2,405,466</u>	<u>7,426,757</u>
Total assets	<u>5,449,755</u>	<u>2,597,893</u>	<u>8,047,648</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to net pension liability	<u>90,763</u>	<u>30,255</u>	<u>121,018</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	394,489	206,618	601,107
Bonds payable	98,000	81,000	179,000
Loans and other agreements payable	64,407	-	64,407
Unearned revenues	79,415	-	79,415
Total current liabilities	<u>636,311</u>	<u>287,618</u>	<u>923,929</u>
Noncurrent liabilities:			
Customers' deposits payable	-	59,783	59,783
Bonds payable	437,000	263,000	700,000
Loans and other agreements payable	131,926	-	131,926
Net pension liability	212,656	70,883	283,539
Total noncurrent liabilities	<u>781,582</u>	<u>393,666</u>	<u>1,175,248</u>
Total liabilities	<u>1,417,893</u>	<u>681,284</u>	<u>2,099,177</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to net pension liability	<u>46,874</u>	<u>15,626</u>	<u>62,500</u>
NET POSITION			
Net investment in capital assets	4,481,883	2,054,362	6,536,245
Restricted for:			
Capital projects	85	-	85
Debt service	-	7,104	7,104
Sales and use tax restrictions	229,036	-	229,036
Special programs	4,238	-	4,238
Unrestricted (deficit)	<u>(639,491)</u>	<u>(130,228)</u>	<u>(769,719)</u>
Total net position	<u>\$ 4,075,751</u>	<u>\$ 1,931,238</u>	<u>\$ 6,006,989</u>

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

TOWN OF BALDWIN, LOUISIANA

Statement of Activities
Year Ended June 30, 2017

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 334,805	\$ 94,439	\$ 6,317	\$ -	\$ (234,049)	\$ -	\$ (234,049)
Culture and recreation	158,315	1,575	10,269	-	(146,471)	-	(146,471)
Public safety	552,010	35,162	-	-	(516,848)	-	(516,848)
Public works	374,933	197,310	-	34,946	(142,677)	-	(142,677)
Supporting services	30,677	33,574	-	-	2,897	-	2,897
Interest on long-term debt	24,697	-	-	-	(24,697)	-	(24,697)
Total governmental activities	<u>1,475,437</u>	<u>362,060</u>	<u>16,586</u>	<u>34,946</u>	<u>(1,061,845)</u>	<u>-</u>	<u>(1,061,845)</u>
Business-type activities:							
Gas, water and sewer	758,543	604,837	2,106	-	-	(151,600)	(151,600)
Interest on long-term debt	16,166	-	-	-	-	(16,166)	(16,166)
Total business-type activities	<u>774,709</u>	<u>604,837</u>	<u>2,106</u>	<u>-</u>	<u>-</u>	<u>(167,766)</u>	<u>(167,766)</u>
Total	<u>\$ 2,250,146</u>	<u>\$ 966,897</u>	<u>\$ 18,692</u>	<u>\$ 34,946</u>	<u>(1,061,845)</u>	<u>(167,766)</u>	<u>(1,229,611)</u>
General revenues:							
Taxes -							
Property taxes					115,009	-	115,009
Sales and use taxes					765,321	-	765,321
Franchise taxes					95,951	-	95,951
Grants and contributions not restricted to specific programs -							
State sources					31,736	-	31,736
Interest and investment earnings					262	111	373
Miscellaneous					30,855	-	30,855
Transfers					(16,316)	16,316	-
Total general revenues and transfers					<u>1,022,818</u>	<u>16,427</u>	<u>1,039,245</u>
Change in net position					(39,027)	(151,339)	(190,366)
Net position - July 1, 2016					<u>4,114,778</u>	<u>2,082,577</u>	<u>6,197,355</u>
Net position - June 30, 2017					<u>\$ 4,075,751</u>	<u>\$ 1,931,238</u>	<u>\$ 6,006,989</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF BALDWIN, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>	<u>1% Sales Tax</u>	<u>3/4% Sales Tax</u>
ASSETS			
Cash and interest bearing deposits	\$ 36,537	\$ 25,175	\$ 52,259
Receivables:			
Taxes	-	54,433	50,138
Accounts	25,619	-	37,317
Due from other funds	-	-	100,000
Due from other governmental units	14,346	-	-
Prepaid expenditures	<u>7,843</u>	<u>-</u>	<u>12,896</u>
Total assets	<u>\$ 84,345</u>	<u>\$ 79,608</u>	<u>\$ 252,610</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 192,864	\$ 10,000	\$ 146,225
Accrued liabilities	8,026	-	-
Due to other funds	100,000	-	1,628
Unearned revenues	<u>79,414</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>380,304</u>	<u>10,000</u>	<u>147,853</u>
Deferred inflows of resources:			
Unavailable revenues	<u>13,132</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	7,843	-	12,896
Restricted	-	69,608	91,861
Unassigned (deficit)	<u>(316,934)</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>(309,091)</u>	<u>69,608</u>	<u>104,757</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 84,345</u>	<u>\$ 79,608</u>	<u>\$ 252,610</u>

<u>1/2%</u> <u>Sales Tax</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 14,011	\$ 36,383	\$ 164,365
16,708	17,491	138,770
-	-	62,936
19,796	24,734	144,530
-	-	14,346
<u>7,512</u>	<u>-</u>	<u>28,251</u>
<u>\$ 58,027</u>	<u>\$ 78,608</u>	<u>\$ 553,198</u>
\$ 33,183	\$ -	\$ 382,272
1,623	-	9,649
-	23,106	124,734
-	-	79,414
<u>34,806</u>	<u>23,106</u>	<u>596,069</u>
<u>-</u>	<u>-</u>	<u>13,132</u>
7,512	-	28,251
-	71,890	233,359
<u>15,709</u>	<u>(16,388)</u>	<u>(317,613)</u>
<u>23,221</u>	<u>55,502</u>	<u>(56,003)</u>
<u>\$ 58,027</u>	<u>\$ 78,608</u>	<u>\$ 553,198</u>

(continued)

TOWN OF BALDWIN, LOUISIANA

Balance Sheet (continued)
 Governmental Funds
 June 30, 2017

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

Total fund balances for governmental funds \$ (56,003)

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

Capital assets, net of accumulated depreciation		
Land	\$ 385,278	
Buildings	2,768,430	
Improvements	1,568,507	
Equipment	65,210	
Autos and trucks	154,272	
Construction in progress	<u>79,594</u>	5,021,291
Deferred outflows of resources related to net pension liability		90,763
Receivables not available to pay for current year expenditures		13,132
Long-term liabilities		
Bonds payable	(535,000)	
Accrued interest payable	(2,568)	
Intergovernmental agreement payable	(4,407)	
Insurance payable	(191,927)	
Net pension liability	<u>(212,656)</u>	(946,558)
Deferred inflows of resources related to net pension liability		<u>(46,874)</u>
Total net position of governmental activities		<u>\$4,075,751</u>

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

TOWN OF BALDWIN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2017

	<u>General</u>	<u>1% Sales Tax</u>	<u>3/4% Sales Tax</u>
Revenues:			
Taxes	\$ 210,960	\$ 293,836	\$ 285,877
Licenses and permits	94,439	-	-
Intergovernmental	62,005	-	-
Charges for services	35,149	-	197,310
Fines and forfeits	35,162	-	-
Interest	60	70	91
Miscellaneous	30,226	-	29
Total revenues	<u>468,001</u>	<u>293,906</u>	<u>483,307</u>
Expenditures:			
Current -			
General government			
Administrative	323,561	5,986	-
Public safety:			
Police	1,258	-	-
Fire	-	-	56,610
Public works:			
Streets and drainage	108,675	-	177,519
Culture and recreation	65,800	-	-
Supporting services	30,677	-	-
Capital outlay	-	-	-
Debt service -			
Payment on intergovernmental agreement	6,260	-	-
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>536,231</u>	<u>5,986</u>	<u>234,129</u>
Excess (deficiency) of revenues over expenditures	<u>(68,230)</u>	<u>287,920</u>	<u>249,178</u>
Other financing sources (uses):			
Transfers in	511,771	-	-
Transfers out	<u>(403,565)</u>	<u>(274,769)</u>	<u>(198,726)</u>
Total other financing sources (uses)	<u>108,206</u>	<u>(274,769)</u>	<u>(198,726)</u>
Net changes in fund balances	39,976	13,151	50,452
Fund balances (deficit), beginning	<u>(349,067)</u>	<u>56,457</u>	<u>54,305</u>
Fund balances (deficit), ending	<u>\$ (309,091)</u>	<u>\$ 69,608</u>	<u>\$ 104,757</u>

<u>1/2%</u> <u>Sales Tax</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 95,271	\$ 90,337	\$ 976,281
-	-	94,439
-	25,597	87,602
-	-	232,459
-	-	35,162
15	26	262
600	-	30,855
<u>95,886</u>	<u>115,960</u>	<u>1,457,060</u>
-	-	329,547
370,170	-	371,428
-	-	56,610
-	-	286,194
-	10,651	76,451
-	-	30,677
-	14,946	14,946
-	-	6,260
-	90,000	90,000
-	25,070	25,070
<u>370,170</u>	<u>140,667</u>	<u>1,287,183</u>
<u>(274,284)</u>	<u>(24,707)</u>	<u>169,877</u>
316,330	115,070	943,171
<u>(13,126)</u>	<u>(69,301)</u>	<u>(959,487)</u>
<u>303,204</u>	<u>45,769</u>	<u>(16,316)</u>
28,920	21,062	153,561
<u>(5,699)</u>	<u>34,440</u>	<u>(209,564)</u>
<u>\$ 23,221</u>	<u>\$ 55,502</u>	<u>\$ (56,003)</u>

(continued)

TOWN OF BALDWIN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
Governmental Funds
Year Ended June 30, 2017

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities:

Total net changes in fund balances per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 153,561
The change in net position reported for governmental activities in the statement of activities is different because:	
Costs of capital assets	14,946
Depreciation expense	(308,086)
Payments on intergovernmental agreement	6,260
Principal payments on bonds	90,000
Change in accrued interest	373
Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability	
Increase in pension expense	(2,398)
Nonemployer pension contribution revenue	6,317
Total changes in net position per Statement of Activities	<u>\$ (39,027)</u>

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

TOWN OF BALDWIN, LOUISIANA

Statement of Net Position
 Proprietary Funds
 June 30, 2017

ASSETS

Current assets:		
Cash and interest-bearing deposits	\$	122,322
Receivables, net		87,403
Prepaid expenses		2,498
Total current assets		<u>212,223</u>
Noncurrent assets:		
Restricted assets -		
Cash and interest-bearing deposits		7,104
Land		116,110
Capital assets, net of accumulated depreciation		2,282,252
Total noncurrent assets		<u>2,405,466</u>
Total assets		<u>2,617,689</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to net pension liability		<u>30,255</u>
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LIABILITIES

Current liabilities:		
Accounts payable		204,403
Due to other funds		19,796
Payable from restricted assets -		
Revenue bonds		81,000
Accrued interest payable		2,215
Total current liabilities		<u>307,414</u>
Noncurrent liabilities:		
Payable from restricted assets -		
Customers' deposits payable		59,783
Revenue bonds and notes payable		263,000
Net pension liability		70,883
Total noncurrent liabilities		<u>393,666</u>
Total liabilities		<u>701,080</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to net pension liability		<u>15,626</u>
--	--	---------------

NET POSITION

Net investment in capital assets		2,054,362
Restricted for -		
Debt service		7,104
Unrestricted (deficit)		(130,228)
Total net position	\$	<u>1,931,238</u>

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

TOWN OF BALDWIN, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended June 30, 2017

Operating revenues:	
Charges for services -	
Gas sales and services	\$ 153,596
Water sales and services	225,718
Sewerage services	122,249
Delinquent charges	21,872
Commissions, transfers and reconnections	81,402
Miscellaneous	2,106
Total operating revenues	<u>606,943</u>
Operating expenses:	
Gas department	120,396
Water department	403,355
Sewerage department	72,748
Depreciation	162,044
Total operating expenses	<u>758,543</u>
Operating income	<u>(151,600)</u>
Nonoperating revenues (expenses):	
Interest income	111
Interest and fiscal charges	<u>(16,166)</u>
Total nonoperating revenues (expenses)	<u>(16,055)</u>
Loss before transfers	(167,655)
Transfers in	90,395
Transfers out	<u>(74,079)</u>
Change in net position	(151,339)
Net position, beginning	<u>2,082,577</u>
Net position, ending	<u>\$ 1,931,238</u>

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

TOWN OF BALDWIN, LOUISIANA

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2017

Cash flows from operating activities:	
Receipts from customers	\$ 605,110
Payments to suppliers	(374,205)
Payments to employees	<u>(75,000)</u>
Net cash provided by operating activities	<u>155,905</u>
 Cash flows from noncapital financing activities:	
Receipts from other funds	90,395
Payments to other funds	<u>(74,079)</u>
Net cash provided by noncapital financing activities	<u>16,316</u>
 Cash flows from capital and related financing activities:	
Interest and fiscal charges paid	(16,670)
Principal paid on bonds	<u>(78,000)</u>
Net cash used in capital and related financing activities	<u>(94,670)</u>
 Cash flows from investing activities:	
Interest on investments	<u>111</u>
 Net increase in cash and cash equivalents	77,662
 Cash and cash equivalents, beginning of period	<u>51,764</u>
 Cash and cash equivalents, end of period	<u>\$ 129,426</u>

(continued)

TOWN OF BALDWIN, LOUISIANA

Statement of Cash Flows (continued)
 Proprietary Funds
 Year Ended June 30, 2017

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (151,600)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	162,044
Pension expense, net of nonemployer contributions	(1,307)
Changes in current assets and liabilities:	
Accounts receivable	394
Prepaid expenses	548
Accounts payable	145,947
Customer deposits	<u>(121)</u>
Net cash provided by operating activities	<u>\$ 155,905</u>

Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash and cash equivalents, beginning of period -	
Cash - unrestricted	\$ 10,166
Cash - restricted	<u>41,598</u>
Total cash and cash equivalents, beginning of period	<u>51,764</u>
Cash and cash equivalents, end of period -	
Cash - unrestricted	122,322
Cash - restricted	<u>7,104</u>
Total cash and cash equivalents, end of period	<u>129,426</u>
Net increase in cash and cash equivalents	<u>\$ 77,662</u>

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

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The Town of Baldwin (the Town) was incorporated in 1913, under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513; and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

The Town's combined financial statements include the accounts of all the Town's operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town has no component units.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Town. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Fund Financial Statements

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

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

The major governmental funds of the Town are described below:

General Fund—primary operating fund of the Town.

Special Revenue Funds

1% Sales Tax Collection Fund—to account for the collection and distribution of proceeds of the Town's 1% sales and use tax. These taxes are dedicated to the construction, acquisition, improvement, maintenance and repair of streets, capital improvements, public works and buildings, paying salaries of municipal employees, operation of recreation facilities, operating expenses of equipment and vehicles, and for any other public purpose authorized by the Constitution and statutes of the state of Louisiana.

¾% Sales Tax Collection Fund—accounts for the receipt and use of proceeds of the Town's ¾% sales and use tax. Proceeds are dedicated to the construction, acquisition, extension, improvement, operation and maintenance of solid waste collection and disposal facilities. They may also be used for police and fire protection.

½% Sales Tax Collection Fund—accounts for the receipt and use of proceeds of the Town's ½% sales and use tax. Proceeds may be used for any lawful law enforcement purpose.

The Town has presented the following proprietary fund as a major fund:

Proprietary Fund

Utility Fund—accounts for the provision of gas, water, and sewerage services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Additionally, the Town reports the following fund types:

Governmental Funds

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.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Debt Service Funds

Debt Service Funds account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Proprietary Fund

Enterprise Fund

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town's enterprise fund is the Utility Fund.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned including unbilled water, sewer and gas services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenues at that time. The Town considers property taxes available if they are collected within 60 days after year end. Expenditures are recorded when the related liability is incurred. However, debt service expenditures are recorded only when payment is due.

Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, charges for services and interest on investments. Franchise fees, licenses, permits and fines are recognized when received because they are not objectively measurable.

D. Cash and Interest-Bearing Deposits

Cash and interest-bearing deposits include amounts in demand deposits, interest-bearing demand deposits, and time deposits. Deposits are stated at cost, which approximates market.

E. Statement of Cash Flows

For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

G. Receivables

All receivables are shown net of an allowance account, as applicable.

H. Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Although the specific charge-off method is not in conformity with accounting principles generally accepted in the United States of America (GAAP), use of this method does not result in a material difference from the required valuation method.

Uncollectible mosquito and garbage service receivables, reported in the governmental funds, and gas, water, and sewer service receivables, reported in the proprietary fund, are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

I. Prepaid Items

Insurance payments made to insurance agencies that will benefit periods beyond the balance sheet date are recorded as prepaid items.

J. Capital Assets

Capital assets, which include property, plant, equipment, and vehicles, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statement for the proprietary fund. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$2,500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-30 years
Improvements other than buildings	10-40 years
Equipment	4-20 years
Autos and trucks	5-7 years

K. Vacation and Sick Leave

Vacation and sick leave are recorded as expenditures of the period in which paid. Sick leave does not accumulate and is not payable at termination of employment. Vacation must be taken in the year accrued and cannot be carried over. Any potential liability of Town for vacation and sick leave is considered immaterial; therefore, no liability has been recorded in the accounts.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

L. Long-term Debt

The accounting treatment of long-term debt 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.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, certificates of indebtedness, and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

M. Deferred Outflows of Resources and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense or expenditure) until then. The Town reports deferred outflows of resources related to its net pension liability on its government-wide statement of net position and on its proprietary funds statement of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows arising from unavailable revenues. Unavailable revenue arises only under a modified accrual basis of accounting, so it is reported only in the governmental funds balance sheet. The Town also reports deferred inflows related to its net pension liability on its government-wide statement of net position and on its proprietary funds statement of net position.

N. Equity Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Fund financial statements

Proprietary fund equity is classified the same as in the government-wide statements. Governmental fund equity is classified as fund balance. Fund balance for the Town's governmental funds is displayed depicting the relative strength of the spending constraints placed on the purposes for which resources can be used. In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other government.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Alderman. The Board is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Board members.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, only the Board of Alderman may assign amounts for specific purposes.
- e. Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Board members have provided otherwise in its commitment or assignment actions.

O. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified by function and character in governmental funds and as operating or nonoperating in proprietary funds.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

P. Interfund Transfers

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Q. Capitalization of Interest Expense

It is the policy of the Town to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets. For the current period, no interest was capitalized.

R. Pensions

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

S. Use of Estimates

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

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 2017, the Town has cash and interest-bearing deposits (book balances) totaling \$293,791 as follows:

Demand deposits	\$ 293,691
Petty Cash	<u>100</u>
	<u>\$ 293,791</u>

The Town's deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2017 are as follows:

Bank balances	<u>\$ 316,726</u>
Federal insurance	250,000
Collateralized by pledged securities	<u>66,726</u>
Total federal deposit insurance and pledged securities	<u>\$ 316,726</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or the collateral securities that are in the possession of an outside party will not be recovered. The Town does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At June 30, 2017, deposits in the amount of \$66,726 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the Town's fiscal agent but not in the Town's name.

(3) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Mary Parish. Town property tax revenues are budgeted in the year billed.

For the year ended June 30, 2017, taxes of 11.86 mills were levied on property with assessed valuations totaling \$9,557,115, and were dedicated for general corporate purposes.

Total taxes levied were \$115,009.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(4) Receivables

Receivables at June 30, 2017 of \$289,109 consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts	39,480	89,402	128,882
Taxes—			
Ad valorem	31,437	-	31,437
Sales	138,770	-	138,770
Other—			
Franchise fees	23,529	-	23,529
	<u>233,216</u>	<u>89,402</u>	<u>322,618</u>
Less: allowance for uncollectible	<u>(31,510)</u>	<u>(1,999)</u>	<u>(33,509)</u>
Net receivables	<u>201,706</u>	<u>87,403</u>	<u>289,109</u>

(5) Interfund Receivables/Payables

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major governmental:		
General Fund	\$ -	\$ 100,000
Special Revenue Funds:		
3/4% Sales Tax Fund	100,000	1,628
1/2% Sales Tax Fund	19,796	-
Utility Fund	-	19,796
Nonmajor governmental	<u>24,734</u>	<u>23,106</u>
Total interfund receivables/payables	<u>\$ 144,530</u>	<u>\$ 144,530</u>

These receivables and payables reverse in the normal course of operations. All remaining balances resulted from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between the funds are made.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(6) Due from Other Governmental Units

Amounts due from other governmental units at June 30, 2017, consisted of the following:

Governmental activities:

FEMA reimbursements due from the State of LA -- Department of Homeland Security	\$ 13,132
Beer taxes due from the State of Louisiana	<u>1,214</u>
	<u>\$ 14,346</u>

(7) Restricted Assets – Proprietary Fund Type

Restricted assets were applicable to the following at June 30, 2017:

Revenue bond reserve fund	\$ 501
Revenue bond sinking fund	500
Capital Additions and Contingencies Fund	<u>6,103</u>
	<u>\$ 7,104</u>

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(8) Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 385,278	\$ -	\$ -	\$ 385,278
Construction in progress	64,648	14,946	-	79,594
	<u>449,926</u>	<u>14,946</u>	<u>-</u>	<u>464,872</u>
Capital assets being depreciated:				
Buildings	3,793,671	-	-	3,793,671
Improvements other than buildings	2,683,701	-	-	2,683,701
Equipment	387,591	-	-	387,591
Autos and trucks	1,646,276	-	-	1,646,276
	<u>8,511,239</u>	<u>-</u>	<u>-</u>	<u>8,511,239</u>
Less accumulated depreciation for:				
Buildings	(911,753)	(113,488)	-	(1,025,241)
Improvements other than buildings	(1,004,555)	(110,639)	-	(1,115,194)
Equipment	(311,181)	(11,200)	-	(322,381)
Autos and trucks	(1,419,245)	(72,759)	-	(1,492,004)
	<u>(3,646,734)</u>	<u>(308,086)</u>	<u>-</u>	<u>(3,954,820)</u>
Total capital assets being depreciated, net	<u>4,864,505</u>	<u>(308,086)</u>	<u>-</u>	<u>4,556,419</u>
Governmental activities capital assets, net	<u>\$ 5,314,431</u>	<u>\$ (293,140)</u>	<u>\$ -</u>	<u>\$ 5,021,291</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 116,110	\$ -	\$ -	\$ 116,110
Capital assets being depreciated:				
Gas utility system	546,880	-	-	546,880
Water utility system	2,905,002	-	-	2,905,002
Sewerage utility system	3,745,917	-	-	3,745,917
	<u>7,197,799</u>	<u>-</u>	<u>-</u>	<u>7,197,799</u>
Less accumulated depreciated for:				
Gas utility system	(446,998)	(6,373)	-	(453,371)
Water utility system	(2,038,732)	(72,551)	-	(2,111,283)
Sewerage utility system	(2,267,773)	(83,120)	-	(2,350,893)
	<u>(4,753,503)</u>	<u>(162,044)</u>	<u>-</u>	<u>(4,915,547)</u>
Total capital assets being depreciated, net	<u>2,444,296</u>	<u>(162,044)</u>	<u>-</u>	<u>2,282,252</u>
Business-type activities capital assets, net	<u>\$ 2,560,406</u>	<u>\$ (162,044)</u>	<u>\$ -</u>	<u>\$ 2,398,362</u>

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Depreciation expense was charged as direct expense to programs of the Town as follows:

Governmental Activities:	
General government	\$ 2,860
Culture and recreation	92,515
Public safety	123,972
Public works	<u>88,739</u>
Total depreciation expense - governmental activities	<u>\$ 308,086</u>
Business-Type Activities:	
Gas, water, and sewerage	<u>\$ 162,044</u>

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(9) Long-Term Debt

Bonds and certificates outstanding at June 30, 2017 are as follows:

Governmental Activities:

\$500,000 Certificate of Indebtedness, Series 2008,
interest payable semi-annually on May 1
and November 1, bearing interest at 4.17% per
annum, with varying annual principal maturities
from November 2009 to 2023. 270,000

\$400,000 Limited Tax Revenue Bonds, Series 2009,
interest payable semi-annually on June 1 and
December 1, bearing interest at 3.7% per annum,
with varying annual principal maturities from
June 2011 to 2020. 138,000

\$250,000 Limited Tax Revenue Bonds, Series 2010,
interest payable semi-annually on June 1 and
December 1, bearing interest at 3.25% per annum,
with varying annual principal maturities from
June 1, 2011 to 2023. 127,000

Total \$ 535,000

Bonds and certificates outstanding for governmental activity purposes are liquidated by debt service funds.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

The Town has unpaid balances for insurance policies totaling \$191,926 at June 30, 2017. The Town has entered into an agreement with its insurance company to pay \$5,000 each month toward its past due balances. The liability for the insurance agreement is expected to be liquidated by any available funds.

The Town entered into an Intergovernmental Agreement with St. Mary Parish School Board to purchase property formerly known as Baldwin Elementary School. The Town purchased the property for the sum of \$50,000 to be paid by the Town by waiving all utility payments owed to the Town by the St. Mary Parish School Board for such period as will satisfy the amount of \$50,000. As of June 30, 2017, the Town has waived utility payments owed to the Town by the St. Mary Parish School Board totaling \$45,592. A balance of \$4,408 remains.

Business-Type Activities:

\$1,250,000 Utilities Revenue Bonds, Series 2001,
interest payable semi-annually on May 1, and
November 1, bearing interest at 3.45% per
annum, plus a .5% per annum administrative fee,
with varying annual principal maturities from
May 2003 to 2021.

\$ 344,000

Long term liabilities for business-type activities are satisfied by the Town's Proprietary Funds.

Transactions for the year ended June 30, 2017 are summarized as follows:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2017</u>	<u>Due within one year</u>
Governmental Activities:					
Certificates of Indebtedness	\$ 300,000	\$ -	\$ 30,000	\$ 270,000	\$ 35,000
Limited Tax Revenue Bonds	325,000	-	60,000	265,000	63,000
Intergovernmental Agreement	10,668	-	6,260	4,408	4,408
Insurance Agreement	<u>191,926</u>	<u>-</u>	<u>-</u>	<u>191,926</u>	<u>60,000</u>
Total Governmental Activities	827,594	-	96,260	731,334	162,408
Business-type Activities:					
Revenue Bonds	<u>422,000</u>	<u>-</u>	<u>78,000</u>	<u>344,000</u>	<u>81,000</u>
Total	<u>\$1,249,594</u>	<u>\$ -</u>	<u>\$174,260</u>	<u>\$ 1,075,334</u>	<u>\$ 243,408</u>

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

The annual requirements to service all formal debt issues outstanding as of June 30, 2017 are as follows:

June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	98,000	19,764	81,000	13,588
2019	100,000	16,057	84,000	10,388
2020	103,000	12,278	88,000	7,070
2021	62,000	8,288	91,000	3,594
2022	63,000	5,906	-	-
2023-2027	109,000	4,428	-	-
Total	<u>535,000</u>	<u>66,721</u>	<u>344,000</u>	<u>34,640</u>

During the fiscal year ended June 30, 2017, the Town was not in compliance with the ordinance authorizing the issuance of Utilities Revenue Bonds, Series 2001 related to the following:

The Town did not make the required monthly transfers from the Utility Revenue Fund to the Utility Revenue Bond Sinking Fund. Utilities Revenue Bonds, Series 2001 requires a transfer into the Sinking Fund monthly, in advance, on or before the twentieth (20th) day of each month of each year an amount equal to the principal, interest, and an administrative fee, together with such additional proportionate sum as may be required to pay principal, interest, and the administrative fee as the same respectively become due.

The Town has not properly maintained a Utilities Revenue Bond Reserve Fund. Utilities Revenue Bonds, Series 2001 requires a transfer from the Revenue Fund into the Reserve Fund monthly in advance on or before the twentieth (20th) day of each month of each year a sum equal to 25% of the amount required to be paid into the Sinking Fund.

The Town has not properly maintained a Utilities System Capital Additions and Contingencies Fund. Utilities Revenue Bonds, Series 2001 requires the establishment and maintenance of a Utilities System Capital Additions and Contingencies Fund (the "Depreciation and Contingencies Fund"), by transferring from the Revenue Fund to the Depreciation and Contingencies Fund monthly on or before the 20th day of each month of each year a sum of \$2,000, until such time as there has been accumulated in said Fund the sum of \$30,000. These funds may be used for the making of extensions, additions, improvements, renewals and replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense. However, a balance of \$5,000 must be maintained for the making of emergency repairs or replacements.

The Town did not adjust utility rates to maintain required revenues. Utilities Revenue Bonds, Series 2001 requires utility rates to be established and maintained to provide revenues in each year at least sufficient to pay (i) the necessary expenses of administering, operating and maintaining the System in such year, (ii) the principal and interest maturing on the Bonds payable in each year, (iii) all reserve or sinking funds or other payments required for such year by the Bond Ordinance, and (iv) all other obligations and indebtedness payable out of the income and revenues of the System during such year, and which will provide revenues in each year, after paying all reasonable and necessary expenses of administering, operating and maintaining the System in such year, at least equal to 130% of the largest amount of principal and interest maturing on the Bonds.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

The Town does not disconnect services in accordance with its Utility Revenue Bond Ordinance. Utilities Revenue Bonds, Series 2001 requires the Town to shut off water and gas services to affected premises when a bill, including interest and penalties accrued, is not paid within ten days from the date on which it became delinquent.

(10) Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	1% Sales Tax	3/4% Sales Tax	1/2% Sales Tax	Other Governmental Funds	Total Governmental Funds
Fund balances:						
Nonspendable -						
Prepaid items	\$ 7,843	\$ -	\$ 12,896	\$ 7,512	\$ -	\$ 28,251
Restricted for -						
Capital improvements	-	-	-	-	85	85
Sales and use tax restrictions	-	69,608	91,861	-	67,567	229,036
Special programs	-	-	-	-	4,238	4,238
Total fund balances - restricted	-	69,608	91,861	-	71,890	233,359
Unassigned (deficit)	(316,934)	-	-	15,709	(16,388)	(317,613)
Total fund balances	\$ (309,091)	\$ 69,608	\$ 104,757	\$ 23,221	\$ 55,502	\$ (56,003)

The General Fund and the Bond Sinking Fund, which is a nonmajor fund, have unassigned fund balance deficits of \$316,934 and \$16,388, respectively. These deficits are expected to be eliminated in future years by identifying and assessing additional revenue sources, expenditure reduction through employee attrition, and transfers from other funds.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(11) Going Concern

The Town has fund balance deficiencies that raise substantial doubt about its ability to continue as a going concern. The Town is unable to continue to meet its obligations as they become due as a result of the fund balance deficiencies. The Town's most significant plans involve performing the following actions to mitigate these conditions:

- The Town has deducted a half hour off the Town's workers' schedules weekly, and overtime will be avoided when possible.
- Risk Management will be contacted to discuss the possibility of writing off payables older than three years old. The estimated potential savings is \$300,000.
- The Town is currently in the process of reducing insurance payments by eliminating coverage deemed less important. The estimated savings is \$5,569 annually.
- The Town is seeking funds from the St. Mary Parish Council to assist monetarily with the Town's balance due for water purchases. The estimated potential monetary assistance is \$60,000.
- The Town will explore debt relief through bankruptcy courts and debt consolidation.
- The Town is considering outsourcing police protection through the St. Mary Parish Sheriff's Department.
- The Town is considering selling or leasing the Baldwin Community Center to another governmental agency. The estimated proceeds would be \$350,000.
- The Town is considering selling the house in the park. The estimated proceeds would be \$150,000.

(12) Interfund Transfers

Operating transfers for the year ended June 30, 2017 were as follows:

	Transfers in				
	General	1/2% Sales Tax	Nonmajor	Utility	Total
Transfers out:					
General	\$ -	\$ 237,188	\$ 90,545	\$ 75,832	\$ 403,565
1% Sales Tax	244,179	18,582	-	12,008	274,769
3/4% Sales Tax	125,387	46,259	24,525	2,555	198,726
1/2% Sales Tax	13,126	-	-	-	13,126
Nonmajor	55,000	14,301	-	-	69,301
Utility	74,079	-	-	-	74,079
Total	<u>\$ 511,771</u>	<u>\$ 316,330</u>	<u>\$ 115,070</u>	<u>\$ 90,395</u>	<u>\$ 1,033,566</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(13) Flow of Funds; Restrictions on Use – Utilities Revenues

Under the terms of the bond indentures on outstanding Utilities System revenue bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Utilities System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds:

Each month, there will be set aside into a fund called the “Revenue Bond Sinking Fund” an amount constituting 1/12 of the next maturing principal payment and 1/6 of the next maturing installment of interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments.

There shall also be set aside into a “Revenue Bond Reserve Fund” an amount equal to the highest combined principal and interest requirements on the bonds for any succeeding fiscal year. Such amount may be used only for the payment of maturing bonds and interest for which sufficient funds are not on deposit in the Revenue Bond Sinking Fund and as to which there would otherwise be default.

Funds totaling \$30,000 will also be set aside into a “Contingencies Fund.” These funds may be used for the making of extensions, additions, improvements, renewals and replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense. However, a balance of \$5,000 must be maintained for the making of emergency repairs or replacements.

All revenue received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

(14) Dedication of Proceeds and Flow of Funds – Sales and Use Taxes

The Town collects sales taxes under four sales tax levies as follows:

Proceeds of a 1% parish wide sales and use tax levied in 1966 (2017 collections \$293,836). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to each participating municipality on a monthly basis. Proceeds of this tax shall be used for the following purposes: construction, acquisition, improvement, maintenance and repairs of streets, capital improvements, public works and buildings (including the acquisition of sites and necessary fixtures, equipment, furnishings and appurtenances, and the payment of obligations and refunding obligations which have been or may be issued for the purpose of acquiring and improving public works and buildings); for payment or supplementing salaries of all municipal employees; for the operation of recreational facilities; for the acquisition, maintenance, repairs and payment of operating expenses of equipment, vehicles, and other machinery owned by the municipality, and for any other public purpose authorized by state law.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Proceeds of a 3/10 of 1% sales and use tax levied in 1982 (2017 collections \$90,337). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly to each participating municipality. Proceeds are dedicated to the following purposes; constructing, acquiring, extending, improving and maintaining any public works or capital improvements, including but not limited to sewerage, drainage, sub-surface drainage, water and flood control extensions and improvements, streets, roads, sidewalks, and bridges.

Proceeds of a 3/4 of 1% sales and use tax levied in 1974 and 1987 (2017 collections \$285,877). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly to each participating municipality. Proceeds are to be used for the construction, acquisition, extension, improvement, operation and maintenance of solid waste collection and disposal facilities, sewers and sewerage disposal works and other facilities for pollution control and abatement; fire and police protection, and to pay debt service requirements on bonds issued for any of the above-mentioned purposes. This tax is to be collected until all bonds payable shall have been paid in full in principal and interest.

Proceeds of a 1/2% parish wide sales and use tax levied in 1998 (2017 collections \$95,271). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to the St. Mary Parish Sheriff, the Parish of St. Mary and each participating municipality on a monthly basis. Proceeds of this tax may be used by the municipalities for any lawful law enforcement purpose.

(15) Pension Plans

Eligible employees of the Town participate in a cost-sharing multiple-employer public employee retirement system, the Municipal Employees' Retirement System (MERS), which is controlled and administered by a board of trustees. The retirement system provides retirement, disability and death benefits to plan members and their beneficiaries. Pertinent information relative to the plan follows:

Plan Description: MERS was established by Act 356 of the 1954 regular session of the Louisiana Legislature. MERS provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the system. The Town participates in Plan B of MERS.

Eligibility Requirements: Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week.

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

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

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

1. Age 67 with seven (7) or more years of creditable service.
2. Age 62 with ten (10) or more years of creditable service.
3. Age 55 with thirty (30) or more years of creditable service.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

4. Any age with twenty-five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

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

Survivor Benefits: Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.

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

Deferred Retirement Option Plan (DROP) Benefits: In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease.

The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

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

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

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

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

Employer Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2016, the actual employer contribution rate for Plan B was 9.50%.

Non-Employer Contributions: In accordance with state statute, MERS receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities but are not considered special funding situations.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At June 30, 2017, The Town reported liabilities in its government-wide financial statements of \$212,656 and \$70,883 in its governmental activities and its business-type activities, respectively, for its proportionate share of the net pension liabilities of MERS. The net pension liabilities were measured as of June 30, 2016 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Town's proportional share of MERS was 0.342063%, which was a decrease of 0.121898% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized a pension expense of \$2,398 in its governmental activities and a pension expense of \$799 in its business-type activities related to its participation in MERS.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,744	\$ 3,073	\$ 583	\$ 1,025
Changes of assumptions	10,596	-	3,532	-
Net difference between projected and actual earnings on pension plan investments	52,126	-	17,375	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,527	43,801	2,175	14,601
Employer contributions subsequent to the measurement date	<u>19,770</u>	<u>-</u>	<u>6,590</u>	<u>-</u>
	<u>\$ 90,763</u>	<u>\$ 46,874</u>	<u>\$ 30,255</u>	<u>\$ 15,626</u>

The \$26,360 reported as deferred outflows of resources related to pensions resulting from Town contributions to MERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2016	\$ 1,645	\$ 548	\$ 2,193
2017	9,503	3,168	12,671
2018	5,036	1,678	6,714
2019	<u>7,935</u>	<u>2,645</u>	<u>10,580</u>
	<u>\$ 24,119</u>	<u>\$ 8,039</u>	<u>\$ 32,158</u>

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Actuarial Assumptions: A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

	Municipal Employees' Retirement System (MERS)
Valuation Date	June 30, 2016
Actuarial cost method	Entry Age Normal
Actuarial cost assumptions:	
Investment rate of return	7.5%, net of investment expense
Projected salary increases	5.00% (2.875% Inflation, 2.125% Merit)
Mortality Rates	RP-2000 Employee Table for active members (set back 2 years for males and females) RP-2000 Healthy Annuitant Table for healthy annuitants (set forward 2 years for males and 1 year for females) RP-2000 Disables Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)
Expected remaining service lives	4 years

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return was 7.7% for the year ended June 30, 2016.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the MERS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public Equity	50%	2.6%
Public fixed income	35%	1.8%
Alternatives	15%	0.8%
Totals	100%	5.2%
Inflation		2.5%
Expected Arithmetic Nominal Return		7.7%

Discount Rate: The discount rate used to measure the total pension liability was 7.5% for MERS. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the applicable current contribution rates and that contributions from participating employers will be made at the respective actuarially determined rates approved by PRSAC taking into consideration the recommendation of the respective system's actuary. Based on those assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate: The following presents the employers' proportionate share of the net pension liability using the applicable discount rate as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Changes in Discount Rate:		
	MERS - Plan B		
	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability	\$ 366,795	\$ 283,539	\$ 212,505

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Town recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2017, the Town recognized revenue as a result of support received from non-employer contributing entities of \$8,423 for its participation in MERS.

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

Payables to the Pension Plan: The Town recorded accrued liabilities to MERS for the year ended June 30, 2017, primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accounts and other payables. The balance due to MERS as of June 30, 2017 is \$2,798.

Pension Plan Fiduciary Net Positions: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for MERS available at www.mersla.com.

(16) Compensation of Town Officials

A detail of compensation paid to the Mayor and Board of Aldermen for the year ended June 30, 2017, follows:

Mayor:	
Donna Lewis Lanceslin	36,336
Aldermen:	
Hebet Bell, Sr.	3,600
Magaret Coleman	3,600
Donald Grimm	3,600
Gene St. Germain	3,600
Clarence Vappie	3,600
	<u>\$ 54,336</u>

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to a political subdivision head. For the year ended June 30, 2017, payments made to Mayor Donna Lewis Lanceslin requiring disclosure are as follows:

Salary	\$ 36,336
Benefits-retirement	3,997
Car allowance	4,800
Reimbursements	2,287
	<u>\$ 47,420</u>

TOWN OF BALDWIN, LOUISIANA

Notes to Financial Statements (continued)

(17) Summary of Federal Grant Funding

The Town received the following federal grant during the year ended June 30, 2017:

<u>Funding Source</u>	<u>Award Number</u>	<u>Recognized Revenues</u>
U.S. Department of Housing and Urban Development: Passed through Louisiana Division of Administration: Flood Protection Levee System	B-08-DI-22-0001	\$ <u>14,946</u>

(18) Litigation and Claims

At June 30, 2017, the Town is involved in several lawsuits claiming damages. In the opinion of the Town's legal representatives, resolution of these lawsuits would not create a liability to the Town in excess of insurance coverage.

(19) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Town is insured up to policy limits for each of the above risks with the exception of those risks subject to general liability coverage and workers' compensation coverage. The Town terminated its general liability coverage as of July 1, 2011 and the Town's workers' compensation coverage was terminated as of August 1, 2013. There were no significant changes in coverage's, retentions, or limits during the year ended June 30, 2017. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BALDWIN, LOUISIANA
General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 218,200	\$ 205,753	\$ 210,960	\$ 5,207
Licenses and permits	69,000	75,000	94,439	19,439
Intergovernmental	49,700	52,100	62,005	9,905
Charges for services	22,800	22,809	35,149	12,340
Fines and forfeits	43,800	30,252	35,162	4,910
Interest	40	39	60	21
Miscellaneous	34,010	24,881	30,226	5,345
Total revenues	<u>437,550</u>	<u>410,834</u>	<u>468,001</u>	<u>57,167</u>
Expenditures:				
General government—				
Administrative	332,125	392,258	323,561	68,697
Public safety—				
Police	3,200	(5,792)	1,258	(7,050)
Public works—				
Streets and drainage	163,450	128,021	108,675	19,346
Culture and recreation	119,522	110,464	65,800	44,664
Supporting services	7,500	107,209	30,677	76,532
Debt sevice	-	-	6,260	(6,260)
Total expenditures	<u>625,797</u>	<u>732,160</u>	<u>536,231</u>	<u>195,929</u>
Deficiency of revenues over expenditures	<u>(188,247)</u>	<u>(321,326)</u>	<u>(68,230)</u>	<u>253,096</u>
Other financing sources (uses):				
Transfers in	490,500	308,285	511,771	203,486
Transfers out	(1,000)	(222,759)	(403,565)	(180,806)
Total other financing sources (uses)	<u>489,500</u>	<u>85,526</u>	<u>108,206</u>	<u>22,680</u>
Net changes in fund balances	301,253	(235,800)	39,976	275,776
Fund balance (deficit), beginning	<u>(349,067)</u>	<u>(349,067)</u>	<u>(349,067)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (47,814)</u>	<u>\$ (584,867)</u>	<u>\$ (309,091)</u>	<u>\$ 275,776</u>

See accompanying notes to budgetary comparison schedules.

TOWN OF BALDWIN, LOUISIANA
1% Sales Tax Collection Fund

Budgetary Comparison Schedule
Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes - sales tax	\$ 284,000	\$ 271,407	\$ 293,836	\$ 22,429
Interest	<u>30</u>	<u>69</u>	<u>70</u>	<u>1</u>
Total revenues	<u>284,030</u>	<u>271,476</u>	<u>293,906</u>	<u>22,430</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>5,986</u>	<u>(5,986)</u>
Excess of revenues over expenditures	<u>284,030</u>	<u>271,476</u>	<u>287,920</u>	<u>16,444</u>
Other financing sources (uses):				
Transfers out	<u>(250,325)</u>	<u>(115,005)</u>	<u>(274,769)</u>	<u>(159,764)</u>
Total other financing sources (uses)	<u>(250,325)</u>	<u>(115,005)</u>	<u>(274,769)</u>	<u>(159,764)</u>
Net changes in fund balances	33,705	156,471	13,151	(143,320)
Fund balance, beginning	<u>56,457</u>	<u>56,457</u>	<u>56,457</u>	<u>-</u>
Fund balance, ending	<u>\$ 90,162</u>	<u>\$ 212,928</u>	<u>\$ 69,608</u>	<u>\$ (143,320)</u>

See accompanying notes to budgetary comparison schedules.

TOWN OF BALDWIN, LOUISIANA
3/4% Sales Tax Collection Fund

Budgetary Comparison Schedule
Year Ended June 30, 2017

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes - sales tax	\$ 305,000	\$ 270,464	\$ 285,877	\$ 15,413
Charges for services	179,800	200,696	197,310	(3,386)
Interest	50	86	91	5
Other	-	29	29	-
Total revenues	<u>484,850</u>	<u>471,275</u>	<u>483,307</u>	<u>12,032</u>
Expenditures:				
Public Safety -				
Fire	59,430	65,255	56,610	8,645
Sanitation	<u>257,100</u>	<u>215,927</u>	<u>177,519</u>	<u>38,408</u>
Total expenditures	<u>316,530</u>	<u>281,182</u>	<u>234,129</u>	<u>47,053</u>
Excess (deficiency) of revenues over expenditures	<u>168,320</u>	<u>190,093</u>	<u>249,178</u>	<u>59,085</u>
Other financing sources (uses):				
Transfers out	<u>(129,000)</u>	<u>(149,131)</u>	<u>(198,726)</u>	<u>(49,595)</u>
Total other financing sources (uses)	<u>(129,000)</u>	<u>(149,131)</u>	<u>(198,726)</u>	<u>(49,595)</u>
Net changes in fund balances	39,320	40,962	50,452	9,490
Fund balance, beginning	<u>54,305</u>	<u>54,305</u>	<u>54,305</u>	<u>-</u>
Fund balance, ending	<u>\$ 93,625</u>	<u>\$ 95,267</u>	<u>\$ 104,757</u>	<u>\$ 9,490</u>

See accompanying notes to budgetary comparison schedules.

TOWN OF BALDWIN, LOUISIANA
1/2% Sales Tax Collection Fund

Budgetary Comparison Schedule
Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes - sales tax	\$ 100,000	\$ 92,238	\$ 95,271	\$ 3,033
Intergovernmental	25,000	-	-	-
Interest	15	13	15	2
Miscellaneous	2,000	600	600	-
Total revenues	<u>127,015</u>	<u>92,851</u>	<u>95,886</u>	<u>3,035</u>
Expenditures:				
Public Safety -				
Police	448,664	300,241	370,170	(69,929)
Capital outlay	-	520	-	520
Total expenditures	<u>448,664</u>	<u>300,761</u>	<u>370,170</u>	<u>(69,409)</u>
(Deficiency) of revenues over expenditures	<u>(321,649)</u>	<u>(207,910)</u>	<u>(274,284)</u>	<u>(66,374)</u>
Other financing sources (uses):				
Transfers in	-	222,259	316,330	94,071
Transfers out	(35,000)	(18,085)	(13,126)	4,959
Total other financing sources (uses)	<u>(35,000)</u>	<u>204,174</u>	<u>303,204</u>	<u>99,030</u>
Net changes in fund balances	(356,649)	(3,736)	28,920	32,656
Fund balance, beginning	<u>(5,699)</u>	<u>(5,699)</u>	<u>(5,699)</u>	<u>-</u>
Fund balance, ending	<u>\$(362,348)</u>	<u>\$ (9,435)</u>	<u>\$ 23,221</u>	<u>\$ 32,656</u>

See accompanying notes to budgetary comparison schedules.

TOWN OF BALDWIN, LOUISIANA

Notes to Budgetary Comparison Schedules

(1) Basis of Accounting

The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Mayor and board of Aldermen.

(2) Budget Adoption

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

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

(3) Excess of Expenditures Over Appropriations

For the year ended June 30, 2017, expenditures exceeded appropriations in the 1% Sales Tax Collection Fund, 3/4% Sales Tax Collection Fund, and 1/2% Sales Tax Collection Fund by \$165,750, \$2,542, and \$64,450, respectively. These excess expenditures were covered by transfers from other funds.

TOWN OF BALDWIN, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Year Ended June 30, 2017

<u>Year ended June 30,</u>	<u>Employer Proportion of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2014	0.043217%	202,900	338,783	59.9%	76.94%
2015	0.463961%	315,330	299,768	105.2%	68.71%
2016	0.342063%	283,539	253,129	112.0%	62.11%

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

TOWN OF BALDWIN, LOUISIANA

Schedule of Employer Contributions
Year Ended June 30, 2017

<u>Year ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2015	28,478	28,478	-	299,768	9.50%
2016	24,047	24,047	-	253,129	9.50%
2017	26,360	26,360	-	239,639	11.00%

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

TOWN OF BALDWIN, LOUISIANA

Note to Retirement System Schedules

Municipal Employees' Retirement System-

1. Changes of benefit terms – There were no changes of benefit terms for the year ended June 30, 2017
2. Changes of assumptions – Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF BALDWIN, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
June 30, 2017

	Special Revenue			Capital Project	Debt Service	
	3/10% Sales Tax	Special Fire Equipment	LCDBG Housing	Flood Protection Levee System Project	Bond Sinking	Total Nonmajor Governmental Funds
ASSETS						
Cash and interest bearing deposits	\$ 25,342	\$ 1,280	\$ 2,958	\$ 1,885	\$ 4,918	\$ 36,383
Receivables:						
Accounts receivable	17,491	-	-	-	-	17,491
Due from other funds	24,734	-	-	-	-	24,734
Total assets	<u>\$ 67,567</u>	<u>\$ 1,280</u>	<u>\$ 2,958</u>	<u>\$ 1,885</u>	<u>\$ 4,918</u>	<u>\$ 78,608</u>
LIABILITIES						
Liabilities-						
Due to other funds	-	-	-	1,800	21,306	23,106
FUND BALANCES						
Fund balances -						
Restricted	67,567	1,280	2,958	85	-	71,890
Unassigned	-	-	-	-	(16,388)	(16,388)
Total fund balances	<u>67,567</u>	<u>1,280</u>	<u>2,958</u>	<u>85</u>	<u>(16,388)</u>	<u>55,502</u>
Total liabilities and fund balances	<u>\$ 67,567</u>	<u>\$ 1,280</u>	<u>\$ 2,958</u>	<u>\$ 1,885</u>	<u>\$ 4,918</u>	<u>\$ 78,608</u>

TOWN OF BALDWIN, LOUISIANA
Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2017

	Special Revenue			Capital Project	Debt Service	Total Nonmajor Governmental Funds
	3/10% Sales Tax	Special Fire Equipment	LCDBG Housing	Flood Protection Levee System Project	Bond Sinking	
Revenues:						
Taxes	\$ 90,337	\$ -	\$ -	\$ -	\$ -	\$ 90,337
Intergovernmental	-	-	10,651	14,946	-	25,597
Interest	21	-	-	-	5	26
Total revenues	<u>90,358</u>	<u>-</u>	<u>10,651</u>	<u>14,946</u>	<u>5</u>	<u>115,960</u>
Expenditures:						
Current -						
Economic development	-	-	10,651	-	-	10,651
Capital outlay	-	-	-	14,946	-	14,946
Debt service -						
Principle retirement	-	-	-	-	90,000	90,000
Interest and fiscal charges	-	-	-	-	25,070	25,070
Total expenditures	<u>-</u>	<u>-</u>	<u>10,651</u>	<u>14,946</u>	<u>115,070</u>	<u>140,667</u>
Excess (deficiency) of revenues over expenditures	<u>90,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,065)</u>	<u>(24,707)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	115,070	115,070
Transfers out	(69,301)	-	-	-	-	(69,301)
Total other financing sources (uses)	<u>(69,301)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,070</u>	<u>45,769</u>
Net changes in fund balances	21,057	-	-	-	5	21,062
Fund balances, beginning,	<u>46,510</u>	<u>1,280</u>	<u>2,958</u>	<u>85</u>	<u>(16,393)</u>	<u>34,440</u>
Fund balances, ending	<u>\$ 67,567</u>	<u>\$ 1,280</u>	<u>\$ 2,958</u>	<u>\$ 85</u>	<u>\$ (16,388)</u>	<u>\$ 55,502</u>

TOWN OF BALDWIN, LOUISIANA

Schedule of Number of Utility Customers
June 30, 2017

Records maintained by the Town indicated the following number of customers were being serviced during the months of June 2017 and 2016:

<u>Department</u>	<u>2017</u>	<u>2016</u>
Gas	536	548
Water	733	746
Sewerage	792	807

TOWN OF BALDWIN, LOUISIANA

Schedule of Utility Rates
Year Ended June 30, 2017

Monthly Water Rates:

\$13.00 for the first 2000 gallons used or consumed plus:
\$5.00 per thousand gallons for 2,001-20,000 gallons used or consumed thereafter
\$3.75 per thousand gallons after 20,000 gallons used or consumed thereafter

Monthly Natural Gas Rates:

\$9.00 for the first 100 cf used or consumed and the actual cost plus \$4.00 for each 1,000 cubic feet used or consumed thereafter.

Monthly Sewer Rates:

\$9.00 for the first 4,000 gallons of water used or consumed and \$1.50 per thousand gallons thereafter.

TOWN OF BALDWIN, LOUISIANA

Schedule of Amounts Billed for Services
Year Ended June 30, 2017

Records maintained by the Town indicated the following amounts billed for services during the year ended June 30, 2017:

<u>Department</u>	<u>2017</u>
Gas	\$ 155,610
Water	\$ 219,464
Sewerage	\$ 144,968

TOWN OF BALDWIN, LOUISIANA

Schedule of Average Monthly Billing Per User
Year Ended June 30, 2017

Records maintained by the Town indicated the following average monthly billing per user for services:

<u>Department</u>	<u>2017</u>
Gas	\$ 24
Water	\$ 26
Sewerage	\$ 12

TOWN OF BALDWIN, LOUISIANA

Analysis of Additions, Replacements, and Improvements to Utility System
Year Ended June 30, 2017

The following addition was added to the utility system:

None

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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

The Honorable Donna Lewis Lanceslin, Mayor
and Members of the Board of Aldermen
Town of Baldwin, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Baldwin (the Town) as of and for the year ended June 30, 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 December 21, 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 Town's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses, and which are described in the accompanying schedule of audit results and findings as items 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit results and findings as items 2017-008, 2017-009, 2017-010, 2017-011, 2017-012, 2017-013, 2017-014, 2017-015, 2017-016, 2017-017, 2017-018 and 2017-019.

We noted certain matters that we reported to the management of the Town in a separate letter dated December 21, 2018.

Town's Response to Findings

The Town's responses to the findings identified in our audit are included in the accompanying corrective action plan for current year findings. 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 the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 21, 2018

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

Part I. Finding reported in accordance with *Government Auditing Standards*:

A. Internal Control-

2016-001 Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

STATUS: This finding is unresolved. See current year finding 2017-001.

2016-002–Material Financial Statement Adjustments

CONDITION: Misstatements in the financial statements were not prevented, nor detected and corrected by the Town’s internal control resulting in proposed audit adjustments material to the financial statements.

RECOMMENDATION: We recommend the Town design and implement policies and procedures or follow implemented policies and procedures which provide assurance to the fair presentation of the financial statements.

STATUS: This finding is unresolved. See current year finding 2017-002.

2016-003–Reconciliation of Customer Deposits

CONDITION: The Town does not reconcile customer water and gas meter deposit balances on its utility software to its accounting software or the related cash balances. Also, customer deposits were not put into the Town’s utility software in a timely manner.

RECOMMENDATION: We recommend that the Town implement policies and procedures to ensure that customer water and gas meter deposit balances on its utility software are reconciled to the Town’s accounting software and the related cash balances.

STATUS: This finding is unresolved. See current year finding 2017-003.

2016-004- Net Position / Fund Balance Deficits

CONDITION: The Town has accumulated net position / unassigned fund balance deficits in its governmental activities, business-type activities, General Fund, ½% Sales Tax Fund, Bond Sinking Fund, and Proprietary Fund totaling \$725,580, \$97,426, \$367,277, \$13,210, \$16,393, and \$97,426, respectively.

RECOMMENDATION: We recommend the Town perform an evaluation of its financial status and seek additional revenue sources. We also recommend the Town evaluate its level of expenditure and services provided and reduce and/or eliminate expenditures and/or levels of service.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2017

STATUS: This finding is unresolved. See current year finding 2017-004.

2016-005- Bank Reconciliations

CONDITION: Bank reconciliations were not properly prepared.

RECOMMENDATION: We recommend that the Town implement policies and procedures to ensure that bank reconciliations are properly prepared.

STATUS: This finding is unresolved. See current year finding 2017-005.

2016-017 Reconciliation of Gallons of Water Produced to Gallons of Water Billed

CONDITION: The Town only billed 48% of the water produced during the fiscal year, and the Town does not reconcile gallons of water produced to gallons of water billed.

RECOMMENDATION: We recommend that the Town reconcile gallons of water produced to gallons of water billed and evaluate the underlying cause for the unaccounted production.

STATUS: This finding is unresolved. See current year finding 2017-006.

2016-018 Police Ticket Books and Tickets not Maintained Properly

CONDITION: The Town does not account for all ticket books and tickets.

RECOMMENDATION: We recommend that the Town account for all ticket books and all tickets in books provided to its police officers to determine whether any citations issued were lost or voided.

STATUS: This finding is unresolved. See current year finding 2017-007.

B. Compliance-

2016-006 Garbage Service Charges

CONDITION: The service charge for garbage fees was not assessed in accordance with the Town's Code of Ordinances. On December 9, 2010, the Town adopted Ordinance No. 316, which amended Ordinance No. 305 and added a disposal fee for every household of \$3 per month and for every commercial establishment of \$5 per month. The Town failed to record the adjustment in its billing system for some new customers and old customers' accounts reactivated during the fiscal year.

Also, the Town entered into an agreement with a waste/garbage contractor on September 23, 2015. Certain customers were not assessed fees in accordance with the Town's agreement with the contractor.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2017

RECOMMENDATION: We recommend that the Town amend its utility billing system to comply with the provisions included in the Town's Code of Ordinances and implement policies and procedures to ensure that adjustments are added to the system for all customers.

STATUS: This finding is unresolved. See current year finding 2017-008.

2016-007 Local Government Budget Act

CONDITION: The Town incurred budget variances in excess of 5% in certain funds, and the total of amended expenditures in certain funds exceeded the total of estimated funds available for the fiscal year. The budgets also did not include a budget message and were not prepared in the proper format in accordance with LSA-RS 39:1305, and a notification to certify completion of the budget process was not published.

RECOMMENDATION: We recommend that the Town implement policies and procedures to comply with the Local Government Budget Act.

STATUS: This finding is unresolved. See current year finding 2017-009.

2016-008 Required Monthly Transfers

CONDITION: The Town did not make the required monthly transfers from the Utility Revenue Fund to the Utility Revenue Bond Sinking Fund.

RECOMMENDATION: We recommend that the Town make monthly transfers as required by bond requirements.

STATUS: This finding is unresolved. See current year finding 2017-010.

2016-009 Reserve Fund Requirements

CONDITION: The Town has not maintained a Utilities Revenue Bond Reserve Fund.

RECOMMENDATION: We recommend that the Town establish and maintain the required reserve fund.

STATUS: This finding is unresolved. See current year finding 2017-011.

2016-010 Contingency Fund Requirements

CONDITION: The Town has not maintained a Utilities System Capital Additions and Contingencies Fund.

RECOMMENDATION: We recommend that the Town establish and maintain the required contingency fund.

STATUS: This finding is unresolved. See current year finding 2017-012.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2017

2016-011 Obligation to Adjust Rates

CONDITION: The Town did not adjust utility rates to maintain the required revenues.

RECOMMENDATION: We recommend that the Town comply with the terms and conditions of its Utility Revenue Bonds Ordinances.

STATUS: This finding is unresolved. See current year finding 2017-013.

2016-012 Disconnecting Services

CONDITION: The Town does not disconnect services in accordance with its Utility Revenue Bond Ordinances.

RECOMMENDATION: We recommend that the Town shut off water and gas services to premises with a bill not paid within ten (10) days from the date on which it became delinquent.

STATUS: This finding is unresolved. See current year finding 2017-014.

2016-013 Improper Use of Sales and Use Taxes

CONDITION: Support for the purpose of the use of sales proceeds could not be provided.

RECOMMENDATION: We recommend that the Town institute policies and procedures to ensure that support is maintained for all expenditures paid with sales and uses tax proceeds.

STATUS: This finding is unresolved. See current year finding 2017-015.

2016-014 Failure to Publish Minutes

CONDITION: The Town did not publish minutes for its public meetings in the Town's official journal in a timely manner.

RECOMMENDATION: We recommend that the Town prepare written minutes for its open meetings and publish these minutes in its official journal within the time period prescribed by law, not exceeding twenty days, and make those minutes available as public records.

STATUS: This finding is unresolved. See current year finding 2017-016.

2016-015 Failure to Maintain Workers' Compensation Insurance

CONDITION: The Town failed to pay workers' compensation insurance premiums in a timely manner, which resulted in the termination of the Town's insurance policy effective August 1, 2013.

RECOMMENDATION: We recommend that the Town implement policies and procedures to pay workers' compensation premiums in a timely manner to ensure continued coverage.

STATUS: This finding is unresolved. See current year finding 2017-017.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2017

2016-016 Late Audit Submission

CONDITION: The Town's audit report was not completed and submitted to the Office of the Legislative Auditor within six months of year end.

RECOMMENDATION: We recommend that the Town institute policies and procedures to ensure that its audit report is completed and submitted to the Office of the Legislative Auditor within six months of year end.

STATUS: This finding is resolved.

C. Management Letter-

2016-ML-1 Ordinance Book not Maintained

CONDITION: The ordinance book is neither complete nor up to date.

Louisiana Revised Statute (RS) 33:406(D)(1) states "The municipal clerk shall keep a book entitled "Ordinances, City (or Town, or Village) of" In which he shall file the original of every ordinance which has been adopted by the board immediately after its passage and attach a note to the ordinance stating the date of its enactment and a reference to the book and page of the board's minutes containing the record of its adoption."

RECOMMENDATION: We recommend that the Town maintain the Ordinance book in accordance with state statute.

STATUS: Reported to management in a separate letter dated December 21, 2018.

2016-ML-2 Employee Withholdings not Remitted Timely

CONDITION: The Town is not remitting amounts withheld from employee's compensation to the appropriate agencies in a timely manner.

RECOMMENDATION: We recommend the Town remit amounts withheld from employee's compensation to the appropriate agencies even if the Town is unable to pay the employer portion timely.

STATUS: Reported to management in a separate letter dated December 21, 2018.

2016-ML-3 Retirement Contributions not Remitted Timely

CONDITION: The Town does not always remit employer and employee contributions to the Municipal Employees' Retirement System of Louisiana in a timely manner.

RECOMMENDATION: We recommend the Town remit contributions payable to the Municipal Employees' Retirement System of Louisiana in a timely manner.

STATUS: Reported to management in a separate letter dated December 21, 2018.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2017

2016-ML-4 Cash Overdrafts and Penalties

CONDITION: The Town's General Fund bank account had negative balances numerous times throughout the fiscal year, which caused the Town to incur overdraft fees totaling \$1,560. The Town also incurred penalties related to late payments totaling \$3,200.

RECOMMENDATION: We recommend that the Town implement policies and procedures to monitor cash balances daily to prevent overdrafts from occurring. The Town should also avoid late fees when feasible.

STATUS: Reported to management in a separate letter dated December 21, 2018.

2016-ML-5 Remittances of Ticket Collections to Other Agencies

CONDITION: Amounts owed to other agencies from the ticket collections are not remitted in a timely manner and amounts to be remitted are calculated using the number of tickets paid instead of the number of violations.

RECOMMENDATION: We recommend that the Town remit ticket collections payable to other entities in a timely manner and calculate the amounts to be remitted using the number of violations.

STATUS: Reported to management in a separate letter dated December 21, 2018.

2016-ML-6 Unpaid Tickets

CONDITION: A request for suspension of driver's license was not performed for some violators with unpaid tickets.

RECOMMENDATION: We recommend that the Town request the suspension of driver's licenses for violators with unpaid tickets.

STATUS: Reported to management in a separate letter dated December 21, 2018.

2016-ML-7 Uncollected Ad Valorem Taxes

CONDITION: The Town did not collect all ad valorem taxes levied for the tax year 2016 and did not attempt to seize and advertise for sale property related to the unpaid taxes.

RECOMMENDATION: We recommend that the Town implement policies and procedures to seize and advertise for sale the property on which the taxes are due.

STATUS: Reported to management in a separate letter dated December 21, 2018.

TOWN OF BALDWIN, LOUISIANA

Summary Schedule of Prior Audit Findings (continued)
Year Ended June 30, 2017

2016-ML-8 Backing up of Computer Systems

CONDITION: The Town does not routinely back up its computer systems, which places the Town at risk of losing important records and financial information.

RECOMMENDATION: We recommend that the Town implement policies and procedures to ensure that all computer systems are backed up routinely.

STATUS: Reported to management in a separate letter dated December 21, 2018.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings
Year Ended June 30, 2017

Part I: Summary of Auditor's Results

Financial Statements

Unmodified opinions have been issued on the financial statements of the Town's governmental activities, business-type activities, each major fund (General Fund, 1% Sales Tax Fund, ¾% Sales Tax Fund, ½% Sales Tax Fund, and Utility Fund) and the aggregate remaining fund information.

Deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements and are shown as items 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007 in Part II. All of the conditions are considered to be material weaknesses.

The results of our tests disclosed instances of noncompliance which are required to be reported under Government Auditing Standards and are shown as items 2017-008, 2017-009, 2017-010, 2017-011, 2017-012, 2017-013, 2017-014, 2017-015, 2017-016, 2017-017, and 2017-018 in Part II.

A management letter was issued.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

Part II: Findings Relating to an Audit in Accordance with *Governmental Auditing Standards*

A. Internal Control-

2017-001 - Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town's internal control over financial reporting includes those policies and procedures that pertain to the Town's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

2017-002–Material Financial Statement Adjustments

CONDITION: Misstatements in the financial statements were not prevented, nor detected and corrected by the Town’s internal control resulting in proposed audit adjustments material to the financial statements.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town’s internal control over financial reporting includes those policies and procedures that pertain to the Town’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

Such internal controls allow management to prevent or detect and correct misstatements on a timely basis.

CAUSE: The condition results from the failure to design and implement or follow implemented policies and procedures which provide assurance that the financial statements are not misstated.

EFFECT: Material audit adjustments were necessary to correct misstatements in the financial statements.

RECOMMENDATION: We recommend the Town design and implement policies and procedures or follow implemented policies and procedures which provide assurance to the fair presentation of the financial statements.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

2017-003- Reconciliation of Customer Deposits

CONDITION: The Town does not reconcile customer water and gas meter deposit balances on its utility software to its accounting software or the related cash balances. Also, customer deposits were not put into the Town's utility software in a timely manner.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town's internal control over financial reporting includes those policies and procedures that pertain to the Town's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

Also, reconciling customer water and gas meter deposit balances on its utility software to its accounting software or the related cash balances ensures proper accounting for all customer deposits.

CAUSE: The cause of this condition is a failure to reconcile customer water and gas meter deposit balances on its utility software to its accounting software or the related cash balances on a periodic basis.

EFFECT: Failure to reconcile customer water and gas meter deposit balances on its utility software to its accounting software or the related cash balances can cause the customer deposits payable to be misstated.

RECOMMENDATION: We recommend that the Town implement policies and procedures to ensure that customer water and gas meter deposit balances on its utility software are reconciled to the Town's accounting software and the related cash balances.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

2017-004- Net Position / Fund Balance Deficits

CONDITION: The Town has accumulated net position / unassigned fund balance deficits in its governmental activities, business-type activities, General Fund, Bond Sinking Fund, and Proprietary Fund totaling \$643,410, \$131,535, \$316,934, \$16,388, and \$131,535, respectively.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town’s internal control over financial reporting includes those policies and procedures that pertain to the Town’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of this condition is the incurrence of expenditures/expenses and liabilities greater than the revenues and/or net position/fund balance available.

EFFECT: The Town has net position / fund balance deficits.

RECOMMENDATION: We recommend the Town perform an evaluation of its financial status and seek additional revenue sources. We also recommend the Town evaluate its level of expenditure and services provided and reduce and/or eliminate expenditures and/or levels of service.

2017-005- Bank Reconciliations

CONDITION: Bank reconciliations were not properly prepared.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town’s internal control over financial reporting includes those policies and procedures that pertain to the Town’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of this condition is the failure of the Town to review the propriety of reconciling items on bank reconciliations.

EFFECT: Errors in the Town’s general ledger cash balances were not able to be detected by the Town.

RECOMMENDATION: We recommend that the Town implement policies and procedures to ensure that bank reconciliations are properly prepared.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

2017-006- Reconciliation of Gallons of Water Produced to Gallons of Water Billed

CONDITION: The Town only billed 40% of the water produced during the fiscal year, and the Town does not reconcile gallons of water produced and/or purchased to gallons of water billed.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town’s internal control over financial reporting includes those policies and procedures that pertain to the Town’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of this condition is the failure of the Town to reconcile gallons of water produced to gallons of water billed.

EFFECT: The Town has unaccounted production.

RECOMMENDATION: We recommend that the Town reconcile gallons of water produced to gallons of water billed and evaluate the underlying cause for the unaccounted production.

2017-007- Police Ticket Books and Tickets not Maintained Properly

CONDITION: The Town does not account for all ticket books and tickets.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Town’s internal control over financial reporting includes those policies and procedures that pertain to the Town’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

CAUSE: The cause of this condition is the failure of the Town to properly maintain ticket books and tickets.

EFFECT: The Town was not able to provide all ticket books and tickets.

RECOMMENDATION: We recommend that the Town account for all ticket books and all tickets in books provided to its police officers to determine whether any citations issued were lost or voided.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

B. Compliance-

2017-008 – Garbage Service Charges

CONDITION: The service charge for garbage fees was not assessed in accordance with the Town's Code of Ordinances. On December 9, 2010, the Town adopted Ordinance No. 316, which amended Ordinance No. 305 and added a disposal fee for every household of \$3 per month and for every commercial establishment of \$5 per month. The Town failed to record the adjustment in its billing system for some new customers and old customers' accounts reactivated during the fiscal year.

Also, the Town entered into an agreement with a waste/garbage contractor on September 23, 2015. Certain customers were not assessed fees in accordance with the Town's agreement with the contractor.

CRITERIA: Code of Ordinances, Ordinance No. 316, Town of Baldwin, Louisiana states the following:

“There shall be a monthly fee payable by each household and each commercial establishment for the disposal of solid waste. The disposal fee for every household shall be \$3.00 per month. The disposal fee for every commercial establishment shall be \$5.00 per month.”

Also, residential customers are assessed a fee of \$16.10 per residential unit per month as per the agreement between the Town and the contractor.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to ensure that adjustments are added to the system for all customers.

EFFECT: Failure to charge the correct fee per the Code of Ordinances and agreements results in a loss of revenues and noncompliance with the adopted ordinance.

RECOMMENDATION: We recommend that the Town amend its utility billing system to comply with the provisions included in the Town's Code of Ordinances and agreements and implement policies and procedures to ensure that adjustments are added to the system for all customers. We also recommend that the Town seek legal guidance related to the verbiage of its ordinances related to garbage service charges.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

2017-009– Local Government Budget Act

CONDITION: The Town incurred budget variances in excess of 5% in certain funds, and the total of amended expenditures in certain funds exceeded the total of estimated funds available for the fiscal year. The budgets also did not include a budget message and were not prepared in the proper format in accordance with RS 39:1305, and a notification to certify completion of the budget process was not published.

CRITERIA: RS 39:1311 et seq, Budgetary Authority and Control, provides for the following:

“A. The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer shall advise the governing authority or independently elected official in writing when:

- (1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.
- (2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and beginning fund balance is being used to fund current expenditures.”

Also, RS 39:1310A, Amending the Budget, provides for the following:

“.....In no event shall a budget amendment be adopted proposing expenditures which exceed the total of estimated funds available for the fiscal year.”

Also, RS 39:1305(C)(1) provides that the budget document shall include “a budget message signed by the budget preparer which shall include a summary description of the proposed financial plan, policies, and objectives, assumptions, budgetary basis, and a discussion of the most important features.”

Further RS 39:1305(C)(2)(a) requires the document to include a “statement for the general fund and each special revenue fund showing the estimated fund balances at the beginning of the year; estimates of all receipts and revenues to be received; revenues itemized by source; recommended expenditures itemized by agency, department, function, and character; other financing sources and uses by source and use; and the estimated fund balance at the end of the fiscal year.” The statement is also required to include “a clearly presented side-by-side detailed comparison of such information for the current year, including the fund balances at the beginning of the year, year-to-date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year; estimated and actual revenues itemized by source; year-to-date actual expenditures and estimates of all expenditures to be

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

made the remainder of the year itemized by agency, department, function, and character; other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year; the year-to-date actual and estimated fund balances as of the end of the fiscal year; and the percentage change for each item of information.”

Also, RS 39:1307(D) states, “The political subdivision shall certify completion of all action required by this Section by publishing a notice in the same manner as is herein provided for the notice of availability of the proposed budget and public hearing.”

CAUSE: The condition results from a failure to comply the Louisiana Local Budget Act.

EFFECT: The Town may not be in compliance with certain provisions of RS 39:1301 et seq, the Local Government Budget Act.

RECOMMENDATION: We recommend that the Town implement policies and procedures to comply with the Local Government Budget Act.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

2017-010- Required Monthly Transfers

CONDITION: The Town did not make the required monthly transfers from the Utility Revenue Fund to the Utility Revenue Bond Sinking Fund.

CRITERIA: The ordinance authorizing the issuance of Utilities Revenue Bonds, Series 2001 requires the establishment and maintenance of a Utilities Revenue Bond Sinking Fund. The ordinance also requires a transfer from the Revenue Fund into the Sinking Fund monthly in advance on or before the twentieth (20th) day of each month of each year an amount equal to the principal, interest, and Administrative Fee accruing with respect to the Borrower Bonds for such calendar month, together with such additional proportionate sum as may be required to pay such principal, interest, and Administrative fee as the same respectively become due.

Also, RS 39:1410.62 states in part:

“All parishes, municipalities, and any other unit of local government, including but not limited to school boards and special districts, authorized by law to perform governmental functions, as well as any political subdivision creating same, shall notify the commission, in writing, whenever:

(1) Transfers to any funds required to be established by resolution authorizing the issuance of bonds, certificates of indebtedness, or otherwise authorizing the incurring of indebtedness, have not been made timely.”

CAUSE: The condition results from a failure to comply with bond ordinances and state statutes.

EFFECT: The Town is not in compliance with its bond ordinance and may be in violation of RS 39:1410.62.

RECOMMENDATION: We recommend that the Town make monthly transfers as required by bond requirements.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

2017-011- Reserve Fund Requirements

CONDITION: The Town has not maintained the required amount of funds in its Utilities Revenue Bond Reserve Fund.

CRITERIA: The ordinance authorizing the issuance of Utilities Revenue Bonds, Series 2001 requires the establishment and maintenance of a Utilities Revenue Bond Reserve Fund. A transfer is required from the Revenue Fund into the Reserve Fund monthly in advance on or before the twentieth (20th) day of each month of each year a sum equal to 25% of the amount required to be paid into the Sinking Fund.

CAUSE: The condition results from a failure to comply with bond ordinances.

EFFECT: The Town is not in compliance with its bond ordinance.

RECOMMENDATION: We recommend that the Town maintain the required reserve fund.

2017-012- Contingency Fund Requirements

CONDITION: The Town has not maintained the required amount of funds in its Utilities System Capital Additions and Contingencies Fund.

CRITERIA: The ordinance authorizing the issuance of Utilities Revenue Bonds, Series 2001 requires the establishment and maintenance of a Utilities System Capital Additions and Contingencies Fund (the "Depreciation and Contingencies Fund"), by transferring from the Revenue Fund to the Depreciation and Contingencies Fund monthly on or before the 20th day of each month of each year a sum of \$2,000, until such time as there has been accumulated in said Fund the sum of \$30,000. These funds may be used for the making of extensions, additions, improvements, renewals and replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense. However, a balance of \$5,000 must be maintained for the making of emergency repairs or replacements.

CAUSE: The condition results from a failure to comply with bond ordinances.

EFFECT: The Town is not in compliance with its bond ordinance.

RECOMMENDATION: We recommend that the Town maintain the required contingency fund.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

2017-013- Obligation to Adjust Rates

CONDITION: The Town did not adjust utility rates to maintain the revenues required by its Bond Ordinance.

CRITERIA: The ordinance authorizing the issuance of Utilities Revenue Bonds, Series 2001 states in part:

“...establish and maintain rates and collect such fees... and to revise the same from time to time whenever necessary, as will always provide revenues in each year at least sufficient to pay (i) the necessary expenses of administering, operating and maintaining the System in such year, (ii) the principal and interest maturing on the Bonds payable there from in each year, (iii) all reserve or sinking funds or other payments required for such year by the Bond Ordinance, and (iv) all other obligations and indebtedness payable out of the income and revenues of the System during such year, and which will in any event provide revenues in each year, after paying all reasonable and necessary expenses of administering, operating and maintaining the System in such year, at least equal to 130% of the largest amount of principal and interest maturing on the Bonds herein authorized in any future Fiscal Year...’

CAUSE: The condition results from a failure to comply with bond ordinances.

EFFECT: The Town is not in compliance with its bond ordinance.

RECOMMENDATION: We recommend that the Town comply with the terms and conditions of its utility revenue bond ordinances.

2017-014 - Disconnecting Services

CONDITION: The Town does not disconnect services in accordance with its Utility Revenue Bond Ordinance.

CRITERIA: The ordinance authorizing the issuance of Utilities Revenue Bonds, Series 2001 states in part:

“The Issuer agrees that all charges owned by any individual, partnership or corporation for services rendered by the System shall be billed and collected as a unit, that the failure of any Person to pay the charges for any service rendered by the System within fifteen (15) days of the date on which it is billed shall cause such charge to become delinquent; that if such delinquent charge, with interest and penalties accrued thereon, is not paid within ten (10) days from the date on which it became delinquent, the Issuer will shut off water and gas services to the affected premises...”

CAUSE: The condition results from a failure to comply with bond ordinances.

EFFECT: The Town is not in compliance with its bond ordinance.

RECOMMENDATION: We recommend that the Town shut off water and gas services to premises with a bill not paid within ten (10) days from the date on which it became delinquent.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

2017-015- Improper Use of Sales and Use Taxes

CONDITION: Support for the purpose of the use of sales proceeds could not be provided.

CRITERIA: Proceeds remitted to the Town from sales and use taxes are to be used for costs specified in the sales and use tax propositions.

CAUSE: The condition results from a failure to monitor the nature of the usage of restricted funds.

EFFECT: The Town may spend restricted money for nonallowable costs.

RECOMMENDATION: We recommend that the Town institute policies and procedures to ensure that support is maintained for all expenditures paid with sales and uses tax proceeds.

2017-016- Failure to Publish Minutes

CONDITION: The Town did not publish minutes for its public meetings in the Town's official journal in a timely manner.

CRITERIA: RS 42:20 states that all public bodies shall keep written minutes of all open meetings. It further states that the minutes shall be public records and shall be available within a reasonable time after the meeting and published in the public body's official journal. However, Attorney General Opinion 09-0300 incorporates the penalty provisions of RS 43:144 into the timeliness of publication and establishes a publication date "within twenty days from the date of any meeting at which the official proceedings were held..."

CAUSE: The cause of this finding is a failure by responsible parties to prepare the official minutes from the transcripts of open meetings and to have those minutes published in the official journal and made available as public records in a timely manner.

EFFECT: The failure to make written minutes available as public records within twenty days after the open meeting is a violation of RS 42:20 and 43:144.

RECOMMENDATION: We recommend that the Town prepare written minutes for its open meetings and publish these minutes in its official journal within the time period prescribed by law, not exceeding twenty days, and make those minutes available as public records.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

2017-017- Failure to Maintain Workers' Compensation Insurance

CONDITION: The Town failed to pay workers' compensation insurance premiums in a timely manner, which resulted in the termination of the Town's insurance policy effective August 1, 2013.

CRITERIA: RS 23:1168(A) states in part:

"An employer shall secure compensation to his employees..."

CAUSE: The cause of this finding is a failure to ensure that workers' compensation premiums are paid in a timely manner and to monitor the policy status.

EFFECT: The failure to maintain worker's compensation coverage is a violation of RS 23:1168. Also, the Town may subject to the penalties of RS 23:1170(A), which states in part:

"In addition to any other penalty prescribed by law, any employer who fails to secure compensation required by RS 23:1168 shall be liable for a civil penalty, to be assessed by the workers' compensation judge, of not more than two hundred fifty dollars per employee for a first offense, and liable for a civil penalty of not more than five hundred dollars per employee for a second or subsequent offense; however, the maximum civil penalty for a first offense shall not exceed ten thousand dollars for all related series of violations."

RECOMMENDATION: We recommend that the Town implement policies and procedures to pay workers' compensation premiums in a timely manner to ensure continued coverage.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

2017-018- Failure to Properly Bill Water Service Charges

CONDITION: The service charge for water fees was not assessed in accordance with the Town's Code of Ordinances. On November 21, 2016, the Town amended section 1 of Ordinance 329 changing the base charge for the first 2,000 gallons of water usage from \$9 to \$13. The Town failed to properly charge for water fees. Clients with under 2,000 gallons of usage were properly billed the \$13 base rate while clients with over 2,000 gallons of usage were billed the \$9 base rate.

CRITERIA: Code of Ordinances, Ordinance 329, Town of Baldwin, Louisiana states the following:

“Monthly Water Rates:
\$13.00 for the first 2,000 gallons
\$5.00/thousand gal for 2,001 – 20,000 gallons
\$3.75/thousand gal after 20,000 gallons”

CAUSE: The cause of the condition is the result of failure to design and implement policies and procedures necessary to ensure that adjustments are added to the system for all customers.

EFFECT: Failure to charge the correct fee per the Code of Ordinances results in a loss of revenues and noncompliance with the adopted ordinance.

RECOMMENDATION: We recommend that the Town amend its utility billing system to comply with the provisions included in the Town's Code of Ordinances.

2017-019- Late Audit Submission

CONDITION: The Town's audit report was not completed and submitted to the Office of the Legislative Auditor within six months of year end.

CRITERIA: RS 24:513 et seq, provides for the following:

“Such audits shall be completed within six months of the close of the entity's fiscal year.”

Also, ordinances authorizing the issuance of bonds and certificates that are outstanding at June 30, 2017 state in part:

“Not later than six months after the close of each fiscal year the Issuer shall cause an audit of such books and accounts to be made by a recognized independent firm of certified public accountants...”

CAUSE: The condition results from a failure to comply with state statutes and bond ordinances.

EFFECT: The Town is not in compliance with RS 24:513 et seq and bond ordinances.

RECOMMENDATION: We recommend that the Town institute policies and procedures to ensure that its audit report is completed and submitted to the Office of the Legislative Auditor within six months of year end.

TOWN OF BALDWIN, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

Part III: Findings and Questioned Costs Relating to Federal Programs

This section is not applicable for the year ended June 30, 2017.

CORRECTIVE ACTION PLAN FOR CURRENT AUDIT FINDINGS

APPENDIX A

Town Clerk

Chrystal S. Willis

Town Attorney

Joseph Tabb

Chief of Police

Harry Smith



Aldermen/Alderswomen

Herbert "H.B." Bell

Margaret Coleman

Donald Grimm

Gene St. Germain

Clarence Vappie

Town of Baldwin

Response to Audit FYE: 2017

February 1, 2018

Attn: Mr. Gerald A. Thibodeaux Jr., CPA

c/o Kolder, Champagne, Slaven & Company, LLC.

1234 David Drive, Suite #203

Morgan City, Louisiana 70380

RE: Town Management Response to Audit, Fiscal Year: 2017

Dear Mr. Thibodeaux,

Thank you for providing a copy of your draft audit report for response from the Town of Baldwin. We do apologize for the amount of time that it has taken to respond to you, but please rest assured that time taken was necessary due some in-house personnel changes.

The following response is relative to the two sections of the audit report FYE 2017 entitled:

- **Internal Control** (7 items to be addressed)
- **Compliance** (12 items to be addressed)

The Town of Baldwin has reviewed the comments in the draft reports and takes exception to the summarization that it does not properly manage Town Finances, has an unreliable system of Checks and Balances and is Out of Compliance. The Mayor and Board take their fiduciary responsibilities, regarding town finances, very seriously and a corrective action plan will be provided to you as soon as the Town of Baldwin has had an opportunity to create a corrective action plan and implement it accordingly. We expect this to be finalized either on or before March 01, 2018 and will keep you updated as to our progress.

Sincerely,


Mayor of Baldwin, LA.

Town of Baldwin

Mayor Donna Lewis Lanceslin

P.O. Box 800 | Baldwin, Louisiana 70514 | Phone: 337-923-7523 | Fax: 337-923-7524

Response Regarding: Internal Control

1. 2017-001 - Segregation of Duties

Findings:

Accounting and financial functions are not adequately segregated.

Response:

Due to the recent discovery of the egregious work practices and lack of ethics displayed by some of our former employees, The Mayor and Board find it of the utmost importance that we establish the segregation of incompatible duties, and do so with expediency. This will insure that no one individual, henceforth, will find themselves in a position that allows them to knowingly commit an indiscretion and then knowingly conceal that indiscretion. To proactively resolve this matter, we are currently reviewing our present organizational structure and are identifying any and all job responsibilities that may be incompatible at the present time. Once identified, internal controls will be implemented (and clearly reflected in our new employee handbook) to insure that adequate checks and balances persistently occur. If, for whatever reason, the segregation of certain job-related functions is not possible, then other internal controls will be implemented in accordance with the previously stated, to remain in compliance with State and Federal Law.

The segregation of incompatible duties shall involve the separating of job functions, per position, so that ideally no one individual will be able to collectively **a.) authorize a transaction, b.) record the transaction in the accounting records, and c.) maintain custody of the asset(s) resulting from that transaction.** This way the authorization, recording and custody functions are each performed by different individuals and will be properly notated as such, therefore creating a system of checks and balances by default.

2. 2017-002 - Material Financial Statement Adjustments

Findings:

Misstatements in the financial statements were not prevented, nor detected and corrected by the Town's internal control resulting in proposed audit adjustments material to the financial statements.

Response:

The Mayor and Board, for *this* administration, stands firmly against any and all misstatements that may have been represented to the auditors and we greatly apologize for any oversight that may have taken place on our part. We are working diligently to ensure that the proper information surfaces, so that it can be respectfully resubmitted for your review. We also pledge to present information, moving forward, as free of misstatements, misrepresentations and omissions - as much as humanly possible. To ensure compliance in this manner, we are implementing the following preventative measures:

- a.) Separate cash bookkeeping, bank reconciliation and check signer functions - for accountability.
- b.) Require monthly reconciliation of bank accounts for management and board review.
- c.) Review and authorization of expense reimbursements by management/supervisors in a timely fashion.
- d.) Create and implement a fraud prevention web-based portal to be integrated into the our web presence.

3. 2017-003 - Reconciliation of Customer Deposits

Findings:

The Town does not reconcile customer water and gas meter deposit balances on its utility software to its accounting software or the related cash balances. Also, customer deposits were not put into the Town's utility software in a timely manner.

Response:

The Mayor and Board, understand that customer deposits should be reconciled with the general ledger, just as accounts receivable is. We also are well aware that it would behoove us to keep our customer deposits in a separate bank account from the operating cash account. Doing so would make reconciling deposits easier for us and would allow for the prevention of unnecessary errors. We are working meticulously with Tammy Richard of ASC and the technicians of CSDC (the creators of our billing software) to adapt having our CSAS Utility Billing Software interface with our general ledger. In the mean time, we're still maintaining manual journal entries.

4. **2017-003 - Net Position/Fund Balance Deficits**

Findings:

The Town has accumulated net position/unassigned fund balance deficits in its governmental activities, business-type activities, General Fund, 1/2% Sales Tax Fund, Bond Sinking Fund, and Proprietary Fund totaling \$725,580, \$97,426, \$367,277, \$13,210, \$16,393, and \$97,426, respectively.

Response:

The Town wishes to address the aforementioned concerns by simply stating that we see the urgency, like never before, of the importance of governing ourselves with a strong "*Trust, but Verify*" department. We are working closely with Tammy Richard of ASC, to get a further understanding - with supporting documentation - of the **Non-spendable, Restricted, Committed, Assigned and Unassigned** fund balances that cover the Town's general funds, special revenue funds, debt service funds, capital projects funds and permanent funds. Regarding the **Net Position**, we are in the process of re-defining the difference between assets, deferred outflows, deferred inflows and liabilities that consists of capital assets with Tammy. This also includes restricted capital assets less:

- Accumulated depreciation,
- Accumulated amortization (except for accretion on any capital appreciation bonds),
- The outstanding balance of debt directly attributable to the acquisition, construction or improvement of those assets, and
- Deferred outflows and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debts.

5. **2017-005 - Bank Reconciliations**

Findings:

Bank reconciliations were not properly prepared.

Response:

It takes a certain type of character for a municipality to openly admit being vulnerable in this area, especially when it comes to matters of employee integrity and competency - that publically clash - with Board integrity and the Town's fiscal responsibility. This is why the Town has contracted with Tammy Richard of ASC. Mrs. Richard is an independently contracted certified accountant, and Sage 100 expert. She greatly helps to provide clarity and guidance to the Mayor, Board and Authorized Town Staff/Personnel regarding the pre-planning, recording and allocation of Town finances. Mrs. Sonya Jones (the previous Town Clerk) was the main individual preparing and submitting the reconciliations for your review. Since Mrs. Jones' departure, Mrs. Richard has become aware of the deficiencies and various instances of carelessness that the previous Town Clerk was proficient in - and as such, has worked tirelessly with the Mayor and Board to rectify any and all

problems as soon as they are uncovered. *Your findings stated that "bank reconciliations were not properly prepared", if you could kindly provide clarity on your findings it would be greatly appreciated. We have to know in what ways the reconciliations were not being properly prepared, in order to effectively address and fix the problem. Please advise.*

6. **2017-06 - Reconciliation of Gallons of Water Produced to Gallons of Water Billed**

Findings:

The Town only billed 48% of the water produced during the fiscal year, and the Town does not reconcile gallons of water produced to gallons of water billed.

Response:

The Mayor and the Board have been in constant communication with the Saint Mary Parish Water & Sewer Commission No. 4 regarding this very concern. We find ourselves in this conundrum due to the antiquated reading equipment (*i.e. the meters*) - some of which have stopped working correctly - and need to be serviced and/or replaced. The overall catalyst is a lack of funding, which - if made available - would allow us ability to resolve this matter quickly. We are actively working on a plan to secure the appropriate funding necessary to purchase new and/or refurbished meters and are addressing the matter expeditiously. Once we have a definitive plan of action regarding meter repair, replacement and maintenance for the Town, we will advise.

7. **2016-07 - Police Ticket Books and Tickets not Maintained Properly**

Findings:

The Town does not account for all ticket books and tickets.

Response:

This matter of concern has been brought to our attention and we are working meticulously with the Baldwin Police Department to ensure that it is resolved in a timely and orderly fashion. Effective immediately an internal communications system has been implemented (between Town Hall staff and Police Department staff) that will enforce accountability, and provide a paper trail - while also enhancing accuracy between Town Hall and Police Department ticket records. This matter is of extreme importance to us because we do not want to risk a potential lawsuit due to a lapse in communication - or error in judgment - on our part, *in either department* . We are well aware that the inability to maintain proper ticket book and ticket records, as well as payments and bench warrants can potentially result in either an unfavorable audit or the wrongful arrest of a Town citizen.

As such, we have implemented a checks and balances system whereas the white and yellow tickets (held at Town Hall) will be reconciled with the pink tickets (held at the Police Department) via cross-referencing, at the end of every month. Once verified, the tickets will then be filed away properly for appropriate record keeping and audit purposes. We sincerely apologize for not staying abreast of this particular matter and guarantee that no further issues of this kind will persist moving forward.

continue on to review our Compliance responses...

Response Regarding: Compliance

1. 2017-008 - Garbage Service Charges

Findings:

The service charge for garbage fees was not assessed in accordance with the Town's Code of Ordinances. On December 9, 2010, the Town adopted Ordinance No. 316, which amended Ordinance No. 305 and added a disposal fee for every household of \$3.00 per month and for every commercial establishment of \$5.00 per month. The Town failed to record the adjustment in its billing system for some new customers and old customer's accounts reactivated during the fiscal year.

Also, the Town entered into an agreement with a waste/garbage contractor on September 23, 2015. Certain customers were not assessed fees in accordance with the Town's agreement with the contractor.

Response:

The Town is working with CSDC and Tammy Richard to ensure the new billing data, that reflects our contractual agreement with Pelican, is input into the CSAC Utility Billing System. We are also exercising due diligence in educating our customers about the charges and their origins. The Garbage Service Charges are to be billed as follows:

- \$16.72 as a default monthly charge per resident for garbage and waste pick-up; *plus*
- a \$3.00 charge for Parish Waste Disposal for residential customers ONLY
- or*
- a \$5.00 charge for Parish Waste Disposal for commercial customers ONLY

2. 2017-009 - Local Government Budget Act

Findings:

The Town incurred budget variances in excess of 5% in certain funds, and the total of amended expenditures in certain funds exceed the total of estimated funds available for the fiscal year. The budgets also did not include a budget message and were not prepared in the proper format in accordance with RS 39: 1305, and a notification to certify completion of the budget process was not published.

Response:

The Mayor and Board members will exercise due diligence in making sure that we are in compliance with RS 39:1305 - Louisiana State Legislature Budget Preparation. In accordance with the requirements, we will ensure that:

- We prepare a comprehensive budget presenting a complete financial plan for each fiscal year for the general fund *and* each special revenue fund;
- The chief executive or administrative officer of the Town or, the equivalent thereof shall be the one to prepare the proposed budget;
- The budget document sets forth the proposed financial plan for the general fund and each special revenue fund shall include the following:
 - a.) A budget message signed by the budget preparer which shall include a summary description of the proposed financial plan, policies, and objectives, assumptions, budgetary basis, and a discussion of the most important features.

b.) A statement for the general fund and each special revenue fund showing the estimated fund balances at the beginning of the year; estimates of all receipts and revenues to be received; revenues itemized by source; recommended expenditures itemized by agency, department, function, and character; other financing sources and uses by source and use; and the estimated fund balance at the end of the fiscal year. Such statements shall also include a clearly presented side-by-side detailed comparison of such information for the current year, including the fund balances at the beginning of the year, year-to-date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year; estimated and actual revenues itemized by source; year-to-date actual expenditures and estimates of all expenditures to be made the remainder of the year itemized by agency, department, function, and character; other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year; the year-to-date actual and estimated fund balances as of the end of the fiscal year; and the percentage change for each item of information.

3. 2017-010 - Required Monthly Transfers

Findings:

The Town did not make the required monthly transfers from the Utility Revenue Fund to the Utility Revenue Bond Sinking Fund.

Response:

The Mayor and Board members are aware of this observation and concur that it was due to a lack of funds due to previous bond obligations. We are actively seeking ways to secure additional funding, as to not have this problem next year.

4. 2017-011 - Reserve Fund Requirements

Findings:

The Town has not maintained the required amount of funds in its Utilities Revenue Bond Reserve Fund.

Response:

The Mayor and Board members are aware of this observation and concur that it was due to a lack of funds due to previous bond obligations. We are actively seeking ways to secure additional funding, as to not have this problem next year.

5. 2017-012 - Contingency Fund Requirements

Findings:

The Town has not maintained the required amount of funds in its Utilities System Capital Additions and Contingencies Fund.

Response:

The Mayor and Board members are aware of this observation and concur that it was due to a lack of funds due to previous bond obligations. We are actively seeking ways to secure additional funding, as to not have this problem next year.

6. 2017-013 - Obligation to Adjust Rates

Findings:

The Town did not adjust utility rates to maintain the revenues required by Bond Ordinances.

Response:

The Mayor and Board members would like to report that Utility Rates have been approved as of June 21, 2017 and raised effective August 1, 2017. The new rates are as follows:

- **Water Rates:** \$24.00 for the first 200 gallons, and \$9.00 for every 1,000 gallons starting 2,001 through 20,000 gallons.
- **Gas Rates:** \$9.00 for the first 100 cubic feet used or consumed and the actual cost plus \$4.00 for each 1,000 cubic feet used or consumed thereafter.
- **Sewer Rates:** \$11.25 for the first 4,000 gallons of water used or consumed, and \$2.00 per 1,000 gallons thereafter.
- **Mosquito Rates:** \$4.00 per month

7. 2017-014 - Disconnecting Services

Findings:

The Town does not disconnect services in accordance with its Utility Revenue Bond Ordinances.

Response:

The Mayor and Board members are aware of this observation and henceforth agree to honor, uphold and reinforce: **Section 5-4** of the Saint Mary Parish Municipal Code entitled: **Existing homes, buildings and properties; connection to available sanitary sewer system**, but we will adopt this law for *all* resident utility services.

a.) The owner(s) of all houses, buildings or properties used for human occupancy, employment and/or recreation, situated within St. Mary Parish where there is located a public sanitary sewage collection system within 300 feet of the property line, is/are hereby required at the expense of owner(s) to connect to the available sanitary sewer collection system within 60 days after receipt of a certified, return receipt requested letter from the parish council, or the appropriate sewer district having jurisdiction over said house, building or property.

b.) The parish council and/or the appropriate water district having jurisdiction over the house, building or property, shall have the authority to disconnect water service to any house, building or property found to be in violation of paragraph (a) of this section.

c.) All waterworks districts with the jurisdiction over any house, building or property found to be in violation of paragraph (a) hereof shall cooperate with the parish council or the appropriate sewer district having jurisdiction over said house, building or property to assist in the disconnection of water services for a violation of paragraph (a) of this section.

d.) No person shall knowingly reconnect or use such facilities unless permission to reconnect has been given by the appropriate governing authority, by official written notice. **Any person who shall violate this provision of this section shall be punished by a fine of not more than \$500.00, or imprisoned for not more than 30 days, or both, at the discretion of a court of competent jurisdiction.**

8. 2017-015 - Improper Use of Sales and Use Taxes

Findings:

Support for the purpose of the use of sales proceeds could not be provided.

Response:

After reviewing your findings with Ms. Ruth Black, our Secretary-Treasurer, our records indicate that the appropriate support was prepared and presented to the auditors for **Sales & Use Taxes dated: July 2016**

through June 2017. We understand that oversights do occur and have attached all supportive documentation regarding your findings, for your review. Please see attached and advise as needed.

9. 2017-016 - Failure to Publish Minutes

Findings:

The Town did not publish minutes for its public meetings in the Town's official journal in a timely manner.

Response:

The Mayor, Board members and new Town Clerk are aware of this matter and are ensuring that all signed and dated meeting minutes are properly logged in the Town's official journal no later than 20 days from the original meeting date - to publish.

10. 2017-017- Failure to Maintain Worker's Compensation Insurance

Findings:

The Town failed to pay worker's compensation insurance premiums in a timely manner, which resulted in the termination of the Town's insurance policy, effective August 1, 2013.

Response:

The Worker's Compensation **insurance policy lapse and termination** that took place in August of 2013, was unfortunately introduced to Town Hall during the Wayne Breaux administration. The Mayor and Board members of *this* administration are well aware of this matter and are currently seeking any and all additional funding and possible State and Federal grants to help quell the damage caused due to the blatant negligence of previous management. We are in the process of securing the appropriate contacts and channels to get this matter resolved as quickly as possible. Any assistance that you can render in the matter - even if it's just a reference or a referral - would be greatly appreciated as there is no additional funding readily available to tackle this matter at this time.

11. 2017-018- Failure to Properly Bill Water Service Charges

Findings:

The service charge for water fees was not assessed in accordance with the Town's Code of Ordinances. On November, 21, 2016, the Town amended section 1 of Ordinance 329, changing the base charge for the first 2,000 gallons of water usage from \$9 to \$13. The Town failed to properly charge for water fees. Clients with under 2,000 gallons of usage were properly billed the \$13.00 base rate while clients with over 2,000 gallons of usage were billed at the \$9 base rate. It is recommended that the Town amend its utility billing system to comply with the provisions included in the Town's Code of Ordinances.

Response:

The Mayor and Board members would like to report that Water Utility Rates have been approved as of June 21, 2017 and raised effective August 1, 2017. The new rates are as follows:

- **Water Rates:** \$24.00 for the first 2,000 gallons, and \$9.00 for every 1,000 gallons starting 2,001 through 20,000 gallons. A motion is being made, per the Town Clerk at our Finance Committee Meeting dated February 28, 2018 to request that the Board implement a \$5.00/thousand gallons after 20,000 gallons to ensure fluency in billing, in accordance with Commission 4's suggested rate sheet. Once a decision has been made regarding the later, it shall be put into motion - post haste.

12. 2017-019- Late Audit Submission

Findings:

The Town's audit report was not completed and submitted to the Office of the Legislative Auditor within six months of year end.

Response:

While the Mayor and Board members are unsettled at the receipt of this news, we are pleased to announce that the personnel who was over that reporting is no longer with us. Moving forward, we will do our very best to be compliant with all State and Federal audit reporting and replying guidelines.

Thank you very much for your patience regarding our Municipality and we thank you for allowing us the opportunity to share our progress relating to the items of concern that you identified in the audit. Should you have any questions, comments or concerns regarding this document, please feel free to contact me directly at (337) 923-7523.

Sincerely,


Mayor of Baldwin, LA.

cc: *Town Board, Town Clerk & Town Attorney*

SCHEDULE OF FINDINGS OF STATE REGULATORY AGENCIES

APPENDIX B

TOWN OF BALDWIN, LOUISIANA

Schedule of Findings of Regulatory State Agencies
Year Ended June 30, 2017

On March 12, 2014, the Louisiana Legislative Auditor issued an advisory services report regarding certain matters contained in the Town's 2012 audit report. The report contained eleven (11) findings of which, the following still apply:

CONDITION: Town management did not have a formal plan to address and eliminate the negative fund balance in the General Fund. The audit reported deficit spending and a negative fund balance totaling (\$256,926) at June 30, 2012. As of October 31, 2013, the Town's financial records for the General Fund indicated a negative fund balance of approximately (\$240,000).

STATUS: See schedule of audit results and findings, items 2017-004.

CONDITION: The Town was not paying all vendors on a timely basis. In November 2013, accounts payable records indicated that the Town owed vendors approximately \$340,000, of which \$172,000 (51%) was over 120 days past due.

STATUS: This condition remains unresolved.

CONDITION: Town management was not complying with revenue bond requirements and an ordinance related to cutting off utility services on delinquent customer accounts:

- The Town was not making the required monthly transfers from the Utility Revenue Fund into the Revenue Bond Sinking Fund, Utility Revenue Bond Reserve Fund, and the Utility System Depreciation and Contingency Fund. When questioned, management was uncertain as to the amounts that were required to be transferred into these three accounts each month.
- Town management was not ensuring that utility services for past due customers were being cutoff in accordance with its utility revenue bond ordinance. The Town ordinance allows utility customers a 25-day grace period to make payment; however, language on the utility bills indicated a 45-day grace period and we noted that management was allowing an even longer grace period.

For example, as of October 30, 2013, the Town had over 200 active customers with delinquent utility account balances totaling \$96,111, of which \$66,794 (69%) was over 60 days past due. We caution management that providing free services (without payment) could be a violation of Article VII, Section 14 of the 1974 Louisiana Constitution and La. R.S. 42:1461.

STATUS: See schedule of audit results and findings, items 2017-010, 2017-011, 2017-012, 2017-013, and 2017-014.

CONDITION: Management had not implemented internal controls to ensure that all customers receiving garbage services were being charged the \$3.00 dump fee.

STATUS: See schedule of audit results and findings, item 2017-008.

TOWN OF BALDWIN, LOUISIANA

Schedule of Findings of Regulatory State Agencies (continued)
Year Ended June 30, 2017

CONDITION: Management had not implemented processes/controls to ensure that dedicated sales tax revenue was spent only on intended purposes (as specified in tax propositions and in accordance with La. R.S. 39:704). We were informed that these restricted monies have been used for other purposes.

STATUS: See schedule of audit results and findings, item 2017-015.

CONDITION: The Town's 2014 budget did not include all elements required by La. R.S. 39:1305 (e.g., ordinance did not define authority of the mayor and board to make changes to the budget).

STATUS: See schedule of audit results and findings, item 2017-009.

CONDITION: The Town did not have written policies and procedures in place to guide all major fiscal operations (e.g., no policies and procedures to ensure that funds for debt service payments are available and that payments/transfers are made as required).

STATUS: This condition remains unresolved.

CONDITION: The Town did not have adequate checks and balances in place to ensure that all accounting transactions were accurately entered in the general ledger and that errors in financial statements were prevented, detected, and corrected (e.g., no secondary review of general ledger entries).

STATUS: See schedule of audit results and findings, item 2017-002.

A complete copy of the report is available on the Louisiana Legislative Auditor's website, www.la.state.la.us.

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
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* A Professional Accounting Corporation

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MANAGEMENT LETTER

The Honorable Donna Lewis Lanceslin, Mayor
and Members of the Board of Aldermen
Town of Baldwin, Louisiana

During our audit of the financial statements of the Town of Baldwin as of June 30, 2017 and for the year then ended, we noted certain areas in which the efficiency and effectiveness of the operations and/or compliance with certain laws and regulations could be improved. Our comments are not intended to reflect upon the ability or integrity of the Town's personnel.

2017-ML-1 Ordinance Book not Maintained

The ordinance book is neither complete nor up to date.

Louisiana Revised Statute (RS) 33:406(D)(1) states "The municipal clerk shall keep a book entitled "Ordinances, City (or Town, or Village) of" In which he shall file the original of every ordinance which has been adopted by the board immediately after its passage and attach a note to the ordinance stating the date of its enactment and a reference to the book and page of the board's minutes containing the record of its adoption."

We recommend that the Town maintain the Ordinance book in accordance with state statute.

2017-ML-2 Employee Withholdings not Remitted Timely

The Town is not remitting amounts withheld from employee's compensation to the appropriate agencies in a timely manner.

We recommend the Town remit amounts withheld from employee's compensation to the appropriate agencies even if the Town is unable to pay the employer portion timely.

The Honorable Donna Lewis Lanceslin, Mayor
and Members of the Board of Aldermen
Town of Baldwin
Management Letter

2017-ML-3 Retirement Contributions not Remitted Timely

The Town does not always remit employer and employee contributions to the Municipal Employees' Retirement System of Louisiana in a timely manner.

We recommend the Town remit contributions payable to the Municipal Employees' Retirement System of Louisiana in a timely manner.

2017-ML-4 Cash Overdrafts and Penalties

The Town incurred overdraft fees and penalties totaling \$5,521.

We recommend that the Town implement policies and procedures to monitor cash balances daily to prevent overdrafts from occurring. The Town should also avoid late fees when feasible.

2017-ML-5 Remittances of Ticket Collections to Other Agencies

Amounts owed to other agencies from the ticket collections are not remitted in a timely manner, and amounts to be remitted are calculated using the number of tickets paid instead of the number of violations.

We recommend that the Town remit ticket collections payable to other entities in a timely manner and calculate the amounts to be remitted using the number of violations.

2017-ML-6 Unpaid Tickets

A request for suspension of driver's license was not performed for some violators with unpaid tickets.

We recommend that the Town request the suspension of driver's licenses for violators with unpaid tickets.

2017-ML-7 Uncollected Ad Valorem Taxes

The Town did not collect all ad valorem taxes levied for the tax year 2016 and did not attempt to seize and advertise for sale property related to the unpaid taxes.

We recommend that the Town implement policies and procedures to seize and advertise for sale the property on which the taxes are due.

2017-ML-8 Backing up of Computer Systems

The Town does not routinely back up its computer systems, which places the Town at risk of losing important records and financial information.

The Honorable Donna Lewis Lanceslin, Mayor
and Members of the Board of Aldermen
Town of Baldwin
Management Letter

We recommend that the Town implement policies and procedures to ensure that all computer systems are backed up routinely.

2017-ML-9 Termination Pay was Included in Retirement Wages

The Town included termination pay when an employee resigned as wages subject to retirement. The retirement invoice specifically states that termination benefits are excluded from the retirement contribution calculation.

We recommend that the Town include only wages that are subject to retirement calculations as mentioned on the retirement invoices.

2017-ML-10 Holiday Pay was Excluded from Retirement Wages

The Town excluded holiday pay from wages subject to retirement. The retirement invoice specifically states that paid holidays are included in the retirement contribution calculation.

We recommend that the Town include all wages that are subject to retirement calculations as mentioned on the retirement invoices.

2017-ML-11 Delinquent Debt Service Payments

The Town paid one debt service payment after the due date.

We recommend that the Town implement policies and procedures to ensure that debt service payments are paid in a timely manner.

2017-ML-12 Reconciliation of CSDC to MAS 90

The Town does not reconcile CSDC utility billings software to MAS 90 software.

We recommend that the Town reconcile these two programs and investigate any differences.

KOLDER, SLAVEN & COMPANY, LLC
Certified Public Accountants

Morgan City, Louisiana
December 21, 2017

Town Clerk

Chrystal S. Willis

Town Attorney

Joseph Tabb

Chief of Police

Harry Smith



Aldermen/Alderswomen

Herbert "H.B." Bell

Margaret Coleman

Donald Grimm

Gene St. Germain

Clarence Vappie

February 9, 2018

Attn: Mr. Gerald A. Thibodeaux Jr., CPA

c/o Kolder, Champagne, Slaven & Company, LLC.

1234 David Drive, Suite #203

Morgan City, Louisiana 70380

RE: Town Management Response to Management Letter, Fiscal Year: 2017

Dear Mr. Thibodeaux,

Enclosed are our Management Responses that were requested by you. We are pleased to report that while we are recovering from previous questionable audits from the past, we are striving daily to implement the significant organizational changes that are required to ensure sound financial, data and personnel functionality - moving forward.

While there is still much to do to make the Town of Baldwin an excellent municipal authority, this administration is moving FORWARD with precision and diligence to ensure that we make all of the necessary and positive personnel changes to assess, address and rectify any areas of concern regarding our Town.

We are making a conscious effort to rectify any and all previous errors and are doing our best to raise the performance bar in-house. Your willingness to continue working with us, paired with your ability to see that we are taking the necessary steps to be in compliance (across the board), will give us that added reassurance that we are finally getting things back on the right track.

Sincerely,


Mayor of Baldwin, LA.

Town of Baldwin

Mayor Donna Lewis Lanceslin

P.O. Box 800 | Baldwin, Louisiana 70514 | Phone: 337-923-7523 | Fax: 337-923-7524

Management Responses: Internal Control

1. 2017-ML-1- Ordinance Book Not Maintained

Findings:

The ordinance book is neither complete nor up to date.

Louisiana Revised Statute (RS) 33:406(D)(1) states “The municipal clerk shall keep a book entitled “Ordinances, City (or Town, or Village) of” In which he shall file the original of every ordinance which has been adopted by the board immediately after its passage and attach a note to the ordinance stating the date of its enactment and a reference to the book and page of the board’s minutes containing the record of its adoption.”

We recommend that the Town maintain the Ordinance book in accordance with state statute.

Response:

The Mayor and Board are aware of this matter and the necessary personnel changes have been made to ensure that the NEW Town Clerk will not make such obviously preventable errors. Moving forward, the Town Clerk shall keep a book to be labeled "**Ordinances, Town of Baldwin**" upon which shall be entered each adopted and amended ordinance for the Town of Baldwin. The Clerk shall also examine the statutes of the state and the ordinances of the municipality to ascertain subject matters required or proper to be acted upon at the following meeting; and shall docket or place on the agenda all such matters. She shall also keep such other books and records, as may be provided for by ordinance, and shall file in her office and preserve all records and papers pertaining to the business of the municipality accordingly.

2. 2017-ML-2- Employee Withholdings not Remitted Timely

Findings:

The Town is not remitting amounts withheld from employee’s compensation to the appropriate agencies in a timely manner.

We recommend the Town remit amounts withheld from employee’s compensation to the appropriate agencies even if the Town is unable to pay the employer portion timely.

Response:

Upon our personnel change, this was brought to our attention, and the Town of Baldwin agrees with and will comply with your recommendation. Staff will calculate the amount of the withholding, in accordance with statutory provisions, and will ensure that it is deducted from the employee’s compensation and paid to the appropriate agencies in a timely manner.

3. 2017-ML-3 - Retirement Contributions not Remitted Timely

Findings:

The Town does not always remit employer and employee contributions to the Municipal Employees’ Retirement System of Louisiana in a timely manner.

We recommend the Town remit contributions payable to the Municipal Employees’ Retirement System of Louisiana in a timely manner.

Response:

The Mayor and Board would like to state that according to our records, prior to November 2017, Retirement Contributions were being remitted by the previous Clerk and our findings mirrored yours. We have since corrected the oversight in November and currently in the process of adhering to the remittance guidelines.

4. 2017-ML-4 - Cash Overdrafts and Penalties

Findings:

The Town incurred overdraft fees and penalties totaling \$5,521.

We recommend that the Town implement policies and procedures to monitor cash balances daily to prevent overdrafts from occurring. The Town should also avoid late fees when feasible.

Response:

We are in agreement with this finding and are in the process of revising our Employee Handbook and Policies and Procedures, as such, the newly implemented documents will clearly detail the **correct** day to day procedures for handling cash balances, preventing overdrafts and avoiding late fees.

5. 2017-ML-5 - Remittance of Ticket Collections to Other Agencies

Findings:

Amounts owed to other agencies from the ticket collections are not remitted in a timely manner, and amounts to be remitted are calculated using the number of tickets paid instead of the number of violations.

We recommend that the Town remit ticket collections payable to other entities in a timely manner and calculate the amounts to be remitted using the number of violations.

Response:

Upon reviewing our records, we have come to find that your assessment is accurate and moving forward, the Town of Baldwin will ensure to remit the ticket collections in a timely manner - to the respective entities - and do so by using the number of violations instead of the number of paid citations.

6. 2017-ML-6 - Unpaid Tickets

Findings:

A request for suspension of driver's license was not performed for some violators with unpaid tickets.

We recommend that the Town request the suspension of driver's licenses for violators with unpaid tickets.

Response:

The Mayor and the Board taking your recommendation to heart and are currently in discussion with our Town Attorney about enforcing the suspension of violator licenses effective March 2017. Once we have a resolution to this matter, we will advise.

7. 2017-ML-7 - Uncollected Ad Valorem Taxes

Findings:

The Town did not collect all ad valorem taxes levied for the tax year 2016 and did not attempt to seize and advertise for sale property related to the unpaid taxes.

We recommend that the Town implement policies and procedures to seize and advertise for sale the property on which the taxes are due.

Response:

The Mayor and Board have taken your findings into consideration and are currently reviewing our 2016 and 2017 ad valorem tax related items. We are also in agreement with your recommendation and we are in the process of implementing policies and procedures for seizing and advertising ad valorem properties. Those updates will go into effect upon the distribution of our newly revised Employee Handbook.

8. **2017-ML-8 - Backing up of Computer Systems**

Findings:

The Town does not routinely back up its computer systems, which places the Town at risk of losing important records and financial information.

We recommend that the Town implement policies and procedures to ensure that all computer systems are backed up routinely.

Response:

The Mayor and Board are aware of the importance of routine backups and regular maintenance that need to take place within the office. We are in agreement with your recommendation and have already made the necessary provisions to secure the appropriate personnel to ensure that daily, weekly and monthly backups are done and that will also be reflected in the Employee Handbook/Policies and Procedures.

9. **2017-ML-9 - Termination Pay was Included in Retirement Wages**

Findings:

The Town included termination pay when an employee resigned as wages subject to retirement. The retirement invoice specifically states that termination benefits are excluded from the retirement contribution calculation.

We recommend that the Town include only wages that are subject to retirement calculations as mentioned on the retirement invoices.

Response:

The Mayor and Board are reviewing these invoices and, in concordance with your recommendation, we have educated staff to only include wages that are subject to retirement calculations as mentioned on the retirement invoices.

10. **2017-ML-10 - Holiday Pay was Excluded from Retirement Wages**

Findings:

The Town excluded holiday pay from wages subject to retirement. The retirement invoice specifically states that paid holidays are included in the retirement contribution calculation.

We recommend that the Town include all wages that are subject to retirement calculations as mentioned on the retirement invoices.

Response:

As previously mentioned, the Mayor and Board are reviewing these invoices and, in concordance with your recommendation, we have educated staff to only include wages that are subject to retirement calculations as mentioned on the retirement invoices.

11. **2017-ML-11 - Delinquent Debt Service Payments**

Findings:

The Town paid one debt service payment after the due date.

We recommend that the Town implement policies and procedures to ensure that debt service payments are paid in a timely manner.

Response:

The Mayor and Board are working diligently to quell time sensitive oversights. We are addressing this matter by implementing policies and procedures to ensure that all debt service payments are paid in a timely manner. These policies and procedures will be reflected in the Employee Handbook, as referenced previously.

12. **2017-ML-12 - Reconciliation of CSDC to MAS 90**

Findings:

The Town does not reconcile CSDC utility billings software to MAS 90 software.

We recommend that the Town reconcile these two programs and investigate any differences.

Response:

After consulting with Jerry Drummond of CSDC, our findings are that the CSAC Utility Billing System and MAS 90 Software (which is a Sage Product) are not structurally compatible to be reconciled together, and as such, they have to be manually reconciled separately - there is no way around this. We are currently researching all inclusive transaction matching and reconciliation options, and once a viable solution has surfaced, and our budget allows for us transition smoothly - we may consider doing so.

Thank you very much for your patience regarding our Municipality and we thank you for allowing us the opportunity to share our progress via this Management Letter. Should you have any questions, comments or concerns regarding this document, please feel free to contact me directly at (337) 923-7523.

Sincerely,


Mayor of Baldwin, LA.

cc: Town Board, Town Clerk & Town Attorney

TOWN OF BALDWIN

Statewide Agreed-Upon Procedures

Fiscal period July 1, 2016 through June 30, 2017

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Donna Lewis Lanceslin, Mayor
and Members of the Board of Aldermen
Town of Baldwin, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Town of Baldwin (hereinafter "Town") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Town's management is responsible for those control and compliance 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 exceptions are as follows:

Written Policies and Procedures

1. Obtain the Town'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 Town does not have any written policies and procedures), as applicable:

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

Town does not have any written policies and procedures that address the functions noted above.

- 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.

Town does not have any written policies and procedures that address the functions noted above.

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

Town does not have any written policies and procedures that address the functions noted above.

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

Town does not have any written policies and procedures that address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above with the exception of reviewing and approving time and attendance records.

- 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.

Town does not have any written policies and procedures that address the functions noted above.

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

Town does not have any written policies and procedures that address the functions noted above.

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

Town does not have any written policies and procedures that address the functions noted above.

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

Town does not have any written policies and procedures that address the functions noted above.

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

Town does not have any written policies and procedures that address the functions noted above.

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

Obtained and reviewed minutes of the Town for the fiscal period noting that the board met at least monthly.

- 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 Town's prior audit (GAAP-basis).

Minutes included references to budget to actual comparisons for all funds for which an annual budget was adopted.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The Town has no formal plan for eliminating fund balance deficits but has been monitored by the Legislative Auditor via submission of monthly financial statements and budgetary information prior to adoption.

- 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.

Minutes included references to non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

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

4. Using the listing provided by management, select all of the TOWN'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;

Obtained bank statements and/or reconciliations for all months in the fiscal period for seven (7) bank accounts noting that reconciliations have been prepared for all seven (7) accounts for all months.

- 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

Obtained bank statements and/or reconciliations for all months in the fiscal period for seven (7) bank accounts noting no evidence of management's review of reconciliations prepared for any of the accounts.

- 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.

Obtained bank statements and/or reconciliations for all months in the fiscal period for seven (7) bank accounts noting evidence of researching reconciling items that have been outstanding for more than six (6) months as of the end of the fiscal period for three (3) accounts. Four (4) accounts tested evidenced no researching of reconciling items that have been outstanding for more than six (6) months as of the end of the fiscal period.

Collections

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

Obtained listing of cash collection locations and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the Town'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.

One (1) location, Town Hall, was determined to be a cash collection location. At the collection location tested, the person responsible for collecting cash was also –

- *Responsible for depositing cash in the bank.*
- *Responsible for recording the deposit.*
- *Responsible for reconciling the bank statement.*

All individuals responsible for collecting cash were appropriately bonded.

There are no cash registers, nor are there any sharing of cash drawers.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Town 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.

Town has no formal reconciliation process. In the collection location tested, the informal process of reconciling cash collections to the general ledger is performed by the same individual having responsibility for cash collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using Town 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.

In the collection location tested, there were no instances of deposits not being made within one (1) day of collection. Thirty (30) deposits were tested at the collection location.

- 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.

Collection documentation was obtained and addresses the functions noted above.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Town has a process specifically defined (identified as such by the Town) 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.

Town has no written process to determine the completeness of all collections for each revenue source by an individual who is not responsible for collections.

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

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

Obtained listing of disbursements from management and management's representation that the listing is 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 Town 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.

Examined supporting documentation for each of the twenty-five (25) disbursements selected and found that two (2) purchases were initiated without using a purchase requisition/order system. Twenty-three (23) purchases were initiated using a purchase requisition/order system.

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

Examined supporting documentation for each of the twenty-five (25) disbursements selected noting approval by an individual who did not initiate the purchase for twenty-two (22) purchases. Three (3) purchase orders were not approved.

- 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.

Examined supporting documentation for each of the twenty-five (25) disbursements selected noting all payments were processed having an approved requisition and/or purchase order, a receiving report,

and an approved invoice, as necessary, with the exception of three (3) purchases whose purchase order lacked approval.

10. Using Town 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 Town's purchasing/disbursement system.

Town has no written documentation prohibiting the individual responsible for processing payments from adding vendors to the purchasing/disbursement system.

11. Using Town 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.

Written policies and/or procedures do not prohibit individuals with signatory authority from also initiating and/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 Town documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is not stored in a locked location and access is not restricted to those persons not having signatory authority

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.

Signature stamp or signature machine is not used.

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.

Obtained listing of active credit cards, bank debit cards, fuel cards and name of the individuals maintaining possession of the cards from management and management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the Town 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.

Randomly selected ten (10) cards from the listing provided by management.

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.)]

Monthly statements were obtained. Monthly statements for all ten (10) cards selected for testing did not evidence review and approval, in writing, by someone other than the authorized cardholder.

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

Finance charges and/or late fees were observed on the statements.

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:

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

Each transaction appearing on the selected statements was supported by an original itemized receipt with the exception of twelve (12) transactions for which receipts were not provided.

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

Twelve (12) transactions did not include appropriate documentation of business/public purpose as receipts that were not provided could not be verified. All other transactions selected reflected appropriate documentation of business/public purpose.

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

No other documentation was required by written policy.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Town'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.

Town does not have written purchasing/disbursement policies. There were no noted credit card purchases requiring compliance with the Public Bid Law.

- c) For each transaction, compare the Town'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.

Twelve (12) transactions did not include appropriate documentation of business/public purpose.

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.

Obtained listing of travel and expense reimbursements during the fiscal period, by person, and management's representation that the listing is complete.

18. Obtain the Town'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.

Town does not have written policies related to travel and expense reimbursements.

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. For each of the three travel expenses selected:

- 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 Town does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Town does not have written policies related to travel and expense reimbursements. Expense reimbursements tested did not exceed GSA rates.

- b) Report whether each expense is supported by:

- 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.

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

No exceptions noted.

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

Town does not have written policies related to travel and expense reimbursements.

- c) Compare the Town'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.

Nature of the expenses reimbursed and related supporting documentation were not obscured. All reimbursements tested appear compliant with Article 7, Section 14 of the Louisiana Constitution.

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

Reimbursement requests and related documentation do not evidence review and approval, in writing, by someone other than the individual receiving the reimbursement.

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.

Obtained listing of all contracts in effect during the fiscal period and management's representation that the listing is 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:

Listing provided by Town included two (2) contracts. Both were selected for procedures.

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

Payments to vendors were supported by a written agreement describing the services to be provided and the fees to be charged.

- 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:

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

None of the contracts selected for testing were subject to the requirements of the Public Bid Law.

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

Both contracts selected for testing were not subject to the requirements of Public Bid Law. Documentation indicating that quotes were solicited as a best practice could not be provided by Town.

- 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.

Neither of the contracts tested were amended.

- 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.

Obtained supporting invoices and/or progress payment request for the largest payment of each of the two (2) contracts selected for testing and compared to the contract terms. All invoices and related payments tested appear compliant with the terms and conditions of the contract.

- 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).

All contracts selected for testing were documented in the minutes as approved by the Town.

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.

Obtained a listing of employees from management and 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.

Compensation paid to the individuals tested were made in accordance with Town's adopted pay scales and/or contract for employment without exception.

- 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 changes to hourly pay rates/salaries were identified for the five (5) employees tested.

- 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 Town 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.)

Employees selected documented their daily attendance and leave. There are no elected officials for which daily attendance and leave records are required.

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

Daily attendance and leave records evidence approval of supervisory department personnel.

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

Leave records for Town personnel are maintained in writing and/or electronically.

- 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.

Obtained a listing of employees that terminated during the fiscal period from management and management's representation that the listing is complete. Also obtained the personnel file of the only individual receiving a termination payment during the fiscal period. Termination payment was made in accordance with Town's policy, but did not indicate management approval.

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.

There were no exceptions regarding the deposit and/or payment of the employer and employee portions of payroll taxes, nor the filing of related reporting forms, to the appropriate agencies by the required deadlines. Two (2) invoices indicated retirement contributions and reports were submitted after the required deadlines.

Ethics (excluding nonprofits)

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 Town maintained documentation to demonstrate that required ethics training was completed.

Requested ethics compliance documentation for five (5) randomly selected individuals. Documentation of the completion of the required ethics training was on file for three (3) of the five (5) individuals tested.

27. Inquire of management whether any alleged ethics violations were reported to the Town 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 Town's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that there were no allegations of ethics violation reported during the fiscal period.

Debt Service (excluding nonprofits)

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

Town did not issue debt during the fiscal period.

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

All scheduled debt service payments were timely made, with one exception. Town did not maintain debt reserves as required by debt covenants.

30. If the Town 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.

Town had no tax millages relating to debt service.

Other

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

Management asserted that there were no misappropriations of public funds or assets during the fiscal period.

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

Notice required by RS 24:523.1 was not posted on Town's premises. The Town does not have a website.

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 to management's representations.

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 control and compliance 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 control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance and is solely for use by the Town's management and the LLA. Accordingly, this report is not suitable for any other purpose and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 21, 2017