

Town of Gibsland
Gibsland, Louisiana

Annual Financial Statements
As of June 30, 2019 and for the Year Then Ended

Town of Gibsland
Annual Financial Statements
As of and for the Year Ended June 30, 2019
With Supplemental Information Schedules

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Town of Gibsland, Louisiana

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Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2019

The management of the Town of Gibsland, Louisiana offers readers of the Town of Gibsland, Louisiana's (Town) financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2019. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements themselves.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Position and Statement of Activities, which seek to give the user of the financial statements a broad overview of the Town's financial position and results of operations in a manner similar to private sector businesses.

The statement of net position presents information on all of the Town's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or weakening.

The statement of activities presents information which shows how the government's net position changed during this fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes).

Each of these reports is broken down between governmental activities and business-type activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues; for example, the police department. Business-type activities are functions that are intended to support their costs through charges for services or fees; such as the Water and Sewer Departments.

Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2019

Government-wide Financial Analysis

As noted earlier, net position may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$3,219,570 (net position); this represents an increase of \$49,450 from the last fiscal year. Of this total net asset amount, \$221,109 is unrestricted net position. The Town's net position is comprised of \$193,819 from governmental activities and \$3,025,751 from business-type activities.

The following is a condensed statement of the Town of Gibsland's net position as of June 30, 2019:

	Governmental-Type Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current & Other Assets	\$4,999	\$26,132	\$346,123	\$217,777	\$351,122	\$243,909
Capital Assets (net)	<u>224,697</u>	<u>234,814</u>	<u>2,987,848</u>	<u>3,135,705</u>	<u>3,212,545</u>	<u>3,370,519</u>
Total Assets	<u>\$229,696</u>	<u>\$260,946</u>	<u>\$3,333,971</u>	<u>\$3,353,482</u>	<u>\$3,563,667</u>	<u>\$3,614,428</u>
Liabilities						
Other Liabilities	\$35,877	\$64,902	\$74,116	\$109,306	\$109,993	\$174,208
Long-term Liabilities	<u>0</u>	<u>0</u>	<u>234,104</u>	<u>270,100</u>	<u>234,104</u>	<u>270,100</u>
Total Liabilities	<u>35,877</u>	<u>64,902</u>	<u>308,220</u>	<u>379,406</u>	<u>344,097</u>	<u>444,308</u>
Net Position						
Invested in capital assets, net	224,697	234,814	2,718,952	2,798,314	2,943,649	3,033,128
Restricted	0	0	54,812	13,913	54,812	13,913
Unrestricted	<u>(30,878)</u>	<u>(38,770)</u>	<u>251,987</u>	<u>161,849</u>	<u>221,109</u>	<u>123,079</u>
Total Net Position	<u>\$193,819</u>	<u>\$196,044</u>	<u>\$3,025,751</u>	<u>\$142,266</u>	<u>\$3,219,570</u>	<u>\$338,310</u>

By far the largest portion of the Town's net position \$2,718,952 reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, town infrastructure, etc.) less any related debt used to acquire those assets still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The Town has accumulated \$7,037 and \$47,775 restricted for customer deposits and debt service, respectively.

The balance of \$221,109 is unrestricted net position, which may be used to meet the government's on-going obligations to citizens and creditors.

The Town has total outstanding debt of \$268,896, which was used to finance some of the \$3,212,545 capital assets. Total liabilities of \$344,097 are equal to 11% of the total net position.

Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2019

The following is a summary of the statement of activities:

	Governmental-Type Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program Revenue	\$92	\$6,441	\$338,076	\$652,077	\$338,168	\$658,518
General Revenue & Transfers	183,014	208,592	28,517	17,489	211,531	226,081
Total Revenue	<u>183,106</u>	<u>215,033</u>	<u>366,593</u>	<u>669,566</u>	<u>549,699</u>	<u>884,599</u>
Expenses						
General & Administrative	146,183	151,822			146,183	151,822
Public Safety	31,217	40,167			31,217	40,167
Other	10,117	10,117			10,117	10,117
Water Utilities			215,698	187,696	215,698	187,696
Sewer Utilities			164,042	150,203	164,042	150,203
CDBG			3,741		3,741	0
Total Expenses	<u>187,517</u>	<u>202,106</u>	<u>383,481</u>	<u>337,899</u>	<u>570,998</u>	<u>540,005</u>
Increase (Decrease) in Net Position	(4,411)	12,927	(16,888)	331,667	(21,299)	344,594
Net Position, beginning	196,044	183,117	2,974,076	2,642,409	3,170,120	2,825,526
Prior period adjustment	2,186	0	68,563	0	70,749	0
Net Position, ending	<u>\$193,819</u>	<u>\$196,044</u>	<u>\$3,025,751</u>	<u>\$2,974,076</u>	<u>\$3,219,570</u>	<u>\$3,170,120</u>

Governmental Activities

The governmental activities of the Town include General Government and Public Safety. In that revenues normally associated with municipal operations, (e.g. property tax, franchise fees, license fees, fines, and operating grants) are sufficient for the funding of these activities.

Business-type Activities

The business-type activities of the Town are those that charge a fee to customers for the services provided. The Town has two business-type activities, which are accounted for in enterprise funds. The Town uses enterprise funds to account for the revenues and expenses related to the provision of water and sewer services.

The following is a summary of the business-type activities of the Town:

	Operating Revenues Net of Purchases		
	Water	Sewer	Total
Fiscal year ended June 30, 2018	223,313	114,928	338,241
Fiscal year ended June 30, 2019	209,171	125,254	334,425
Increase (decrease) between years	<u>(14,142)</u>	<u>10,326</u>	<u>(3,816)</u>

Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2019

	Operating Expenses		
	Water	Sewer	Total
Fiscal year ended June 30, 2018	186,585	143,369	329,954
Fiscal year ended June 30, 2019	215,310	157,924	373,234
Increase (decrease) between years	28,725	14,555	43,280

	Net Income (Loss) From Operations		
	Water	Sewer	Total
Fiscal year ended June 30, 2018	36,728	(28,441)	8,287
Fiscal year ended June 30, 2019	(6,139)	(32,670)	(38,809)
Increase (decrease) between years	(42,867)	(4,229)	(47,096)

Fund Financial Statements - Governmental Funds

The fund financial statements provide more detailed information about the Town’s most significant funds - not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for a particular purpose.

The Town currently maintains one individual governmental fund type. This fund type include the General Fund. Information is presented separately in the Governmental Fund Balance Sheet (Statement D) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (Statements F & G) for the General Fund which is considered to be major fund.

Financial Analysis of the Town’s Governmental Fund

The Town of Gibsland’s governmental fund (General Fund) reported an ending fund balance (deficit) of (\$30,878), which is an increase of \$7,892 from prior year. The entire ending fund balance (deficit) of (\$30,878) is unreserved.

Fund Financial Statements - Proprietary Funds

The Town maintains two proprietary funds. Proprietary funds are used to report the same functions as business-type activities. The Town uses enterprise funds (the first type of proprietary fund) to account for its Water and Sewer Operations. These enterprise funds report the same functions presented as business-type activities in the government-wide financial statements.

Financial Analysis of the Town’s Proprietary Fund

The Town’s proprietary funds show an increase in ending retained earnings of \$51,675 (Water: \$27,263 decrease & Sewer: \$78,943 increase & CDBG \$5 decrease). The 2019 operating income (loss) of the Water department of (\$42,867 and Sewer department totaling (\$4,229) represents a decrease in revenue of \$3,816 and an increase in expenses of \$47,021 from 2018 figures, including CDBG expenses of \$3,741.

Town of Gibsland, Louisiana
Management Discussion and Analysis
June 30, 2019

Financial statements of enterprise funds are presented on the same basis of accounting as in both the governmental-wide financial statements and the individual fund statements. All comments and analysis made under business-type activities apply to these funds.

General Fund Budgetary Highlights

The Town adopted an original budget for the General Fund and amended it once during the year. Budgeted revenues and other sources exceeded actual revenues and other sources by \$6,478 or 3.4%. Budgeted expenditures and other uses exceeded actual expenditures and other uses by \$768 or < 1%

Capital Asset and Debt Administration

The total investment in net capital assets as of June 30, 2019 is \$3,212,545.

There was no major capital assets purchased or constructed in fiscal 2019 for governmental activities or business-type activities.

Current Financial Factors

The Town is trying to get its policies and procedures back in place with the current administration.

Requests for Information

This financial report is designed to provide a general overview of the Town of Gibsland's finances for all with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Town Clerk, P. O. Box 309, Gibsland, Louisiana 71028.

WADE & PERRY
Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA/ Society of LCPA's

Independent Auditor's Report

Mayor and Board of Aldermen
Town of Gibsland
Gibsland, LA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Gibsland, as of June 30, 2019, and the respective changes in financial position and where

applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

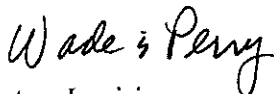
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of compensation paid to elected officials, the schedule of compensation, benefits and other payments to agency head, and schedule of insurance are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2020, 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 the 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.



Ruston, Louisiana
December 23, 2020

Town of Gibsland, Louisiana
Statement of Net Position
As of June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and equivalents	\$40,341	\$134,679	\$175,020
Receivables	15,487	105,802	121,289
Internal balances	(50,829)	50,829	0
Restricted assets		54,813	54,813
Other assets			0
Capital assets (net)	224,697	2,987,848	3,212,545
TOTAL ASSETS	\$229,696	\$3,333,971	\$3,563,667
Deferred outflows of resources	0	0	0
LIABILITIES			
Cash overdraft	\$0	\$0	\$0
Accounts, salaries, and other payables	35,877	7,713	43,590
Current loans, bonds, and interest payable		34,792	34,792
Liabilities payable from restricted assets		31,611	31,611
Loans and bonds payable		234,104	234,104
TOTAL LIABILITIES	35,877	308,220	344,097
Deferred inflows of resources	0	0	0
NET POSITION			
Invested in capital assets, net of related debt	224,697	2,718,952	2,943,649
Restricted for customers		7,037	7,037
Restricted for debt		47,775	47,775
Unrestricted	(30,878)	251,987	221,109
TOTAL NET POSITION	\$193,819	\$3,025,751	\$3,219,570

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
Statement of Activities
Year Ended June 30, 2019

	Program Revenues			Net (Expenses) Revenues and Changes of Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
General government	\$146,183				(\$146,183)	(\$146,183)
Public safety	31,217	\$92			(31,125)	(31,125)
Depreciation	10,117				(10,117)	(10,117)
Total governmental activities	<u>187,517</u>	<u>92</u>	<u>0</u>	<u>0</u>	<u>(187,425)</u>	<u>0</u>
Business-type activities:						
Water utilities	215,698	209,171				(\$6,527)
Sewer utilities	164,042	125,254				(\$38,788)
CDBG	3,741		3,651			(90)
Total business-type activities	<u>383,481</u>	<u>334,425</u>	<u>3,651</u>	<u>0</u>	<u>0</u>	<u>(45,405)</u>
Total primary government	<u>\$570,998</u>	<u>\$334,517</u>	<u>\$3,651</u>	<u>\$0</u>	<u>(\$187,425)</u>	<u>(\$45,405)</u>
General revenues:						
Ad valorem taxes					\$29,153	\$29,153
Sales taxes					88,037	88,037
Other					23,244	23,244
Franchise fees					35,009	35,009
Licenses and permits					4,074	4,074
Intergovernmental revenues - state						26,678
Other general revenues					5,336	5,336
Transfers - net					(1,839)	1,839
Total general revenues and transfers					<u>183,014</u>	<u>28,517</u>
Change in Net Position					(4,411)	(16,888)
Net Position - beginning					196,044	2,974,076
Prior period adjustment					2,186	68,563
Net Position - ending					<u>\$193,819</u>	<u>\$3,025,751</u>

The accompanying notes are an integral part of this statement.

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

	ASSETS	General Fund	Total Governmental Funds
Cash and cash investments		\$40,341	\$40,341
Receivable		15,487	15,487
Interfunds		166,443	166,443
Other assets		<u>0</u>	<u>0</u>
TOTAL ASSETS		<u>\$222,271</u>	<u>\$222,271</u>
	LIABILITIES AND FUND BALANCES		
Liabilities:			
Cash overdraft		\$0	\$0
Accounts, salaries, and other payables		35,877	35,877
Interfunds		<u>217,272</u>	<u>217,272</u>
Total liabilities		<u>253,149</u>	<u>253,149</u>
Fund balances:			
Unassigned		<u>(30,878)</u>	<u>(30,878)</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$222,271</u>	<u>\$222,271</u>

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
 Reconciliation of The Governmental Funds Balance Sheet
 to The Government-Wide Financial Statement of Net Position
 June 30, 2019

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

Fund balances, Total governmental funds (Statement C)			(\$30,878)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:			
Governmental capital assets	\$415,430		
Less accumulated depreciation	<u>(190,733)</u>	<u>224,697</u>	
Net Position of Governmental Activities (Statement A)			<u>\$193,819</u>

The accompanying notes are an integral part of this statement.

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

	<u>General Fund</u>
REVENUES	
Taxes:	
Ad valorem	\$29,153
Sales and use	88,037
Other	23,244
Franchise fees	35,009
Licenses and permits	4,074
Intergovernmental revenues - state	0
Fines and forfeitures	92
Interest earnings	0
Other revenues	5,336
Total Revenues	<u>184,945</u>
EXPENDITURES	
General government	146,183
Public safety	31,217
Capital outlay	0
Total Expenditures	<u>177,400</u>
Excess (Deficiency) of Revenues over (under) Expenditures	7,545
OTHER FINANCING SOURCES (USES)	
Operating transfers in	0
Operating transfers out	<u>(1,839)</u>
Total Other Financing Sources (Uses)	<u>(1,839)</u>
Net Change in Fund Balance	5,706
Fund Balance – beginning	(38,770)
Prior period adjustment	<u>2,186</u>
Fund Balance – ending	<u><u>(\$30,878)</u></u>

The accompanying notes are an integral part of this statement.

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

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

Net Change in Fund Balances, Total governmental funds (Statement E)	\$5,706
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$0) exceeded depreciation (\$10,117) in the current period.	(\$10,117)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>0</u>
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Change in Net Position of Governmental Activities, Statement B	<u><u>(\$4,411)</u></u>
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The accompanying notes are an integral part of this statement.

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

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	CDBG Fund	Totals (Memorandum Only)	
				2019	2018
ASSETS					
Current assets:					
Cash and equivalents	\$37,986	\$96,691	\$2	\$134,679	\$81,027
Receivables	60,503	45,299		105,802	89,294
Interfunds	331,360	217,483		548,843	461,738
Total current assets	<u>429,849</u>	<u>359,473</u>	<u>2</u>	<u>789,324</u>	<u>632,059</u>
Restricted assets:					
Cash and equivalents	7,038	47,775		54,813	13,913
Non-current assets:					
Capital assets (net of accumulated depreciation)	741,760	2,246,088		2,987,848	3,135,705
Total Non-current assets	<u>741,760</u>	<u>2,246,088</u>	<u>0</u>	<u>2,987,848</u>	<u>3,135,705</u>
TOTAL ASSETS	<u>\$1,178,647</u>	<u>\$2,653,336</u>	<u>\$2</u>	<u>\$3,831,985</u>	<u>\$3,781,677</u>
LIABILITIES					
Current Liabilities:					
Cash overdraft	\$0	\$0	\$0	\$0	\$0
Accounts, salaries, and other payables	5,567	\$2,146		7,713	10,404
Interfunds	224,688	273,326		498,014	428,195
Loans, bonds, and interest payable	0	34,792		34,792	67,291
Total current liabilities	<u>230,255</u>	<u>310,264</u>	<u>0</u>	<u>540,519</u>	<u>505,890</u>
Current liabilities payable from restricted assets	<u>31,611</u>			<u>31,611</u>	<u>31,611</u>
Non-current liabilities:					
Loans and bonds payable	0	234,104		234,104	270,100
Total non-current liabilities	<u>0</u>	<u>234,104</u>	<u>0</u>	<u>234,104</u>	<u>270,100</u>
Total liabilities	<u>261,866</u>	<u>544,368</u>	<u>0</u>	<u>806,234</u>	<u>807,601</u>
NET POSITION					
Net investment in capital assets	741,760	1,977,192	0	2,718,952	2,798,314
Restricted for customers	7,037		0	7,037	7,078
Restricted for debt	0	47,775	0	47,775	6,835
Unrestricted	167,984	84,001	2	251,987	161,849
TOTAL NET POSITION	<u>\$916,781</u>	<u>\$2,108,968</u>	<u>\$2</u>	<u>\$3,025,751</u>	<u>\$2,974,076</u>

The accompanying notes are an integral part of this statement.

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

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	CDBG	Totals Memorandum only)	
	Fund	Fund	Fund	2019	2018
Operating Revenues					
Charges for services:					
Water sales	\$207,934			\$207,934	\$209,857
Sewer charges		\$125,189		125,189	114,879
Other services	1,237	65		1,302	13,505
Total Operating Revenues	209,171	125,254	0	334,425	338,241
Operating Expenses					
Cost of sales and services	102,961	53,388		156,349	146,530
Administration	48,940	20,088	3,741	72,769	44,071
Depreciation	63,409	84,448		147,857	139,353
Total Operating Expenses	215,310	157,924	3,741	376,975	329,954
Operating income (loss)	(6,139)	(32,670)	(3,741)	(42,550)	8,287
Nonoperating revenue (expenses)					
Intergovernmental		26,678		26,678	24,466
Grant income			3,651	3,651	313,836
Interest earnings				0	0
Interest expense	(388)	(6,118)		(6,506)	(7,945)
Adjustment				0	0
Total Nonoperating Revenue (Expenses)	(388)	20,560	3,651	23,823	330,357
Income before contributions and transfers	(6,527)	(12,110)	(90)	(18,727)	338,644
Fidelity bond insurance proceeds	0	0		0	0
Transfers in	1,839	8,656	85	10,580	1,385
Transfers out	(8,741)			(8,741)	(8,362)
Change in Net Position	(13,429)	(3,454)	(5)	(16,888)	331,667
Total Net Position - Beginning	944,044	2,030,025	7	2,974,076	2,642,409
Prior period adjustment	(13,834)	82,397	0	68,563	0
Total Net Position - Ending	\$916,781	\$2,108,968	\$2	\$3,025,751	\$2,974,076

The accompanying notes are an integral part of this statement.

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

	Water Fund	Sewer Fund	Total (Memo only)	2018
Cash Flows from Operating Activities				
Receipts from customers and users	\$150,705	\$80,107	\$230,812	\$261,309
Receipts from other funds		26,678	26,678	24,466
Payments to suppliers	(87,395)	(14,554)	(101,949)	(73,428)
Payments to employees	(28,150)	(28,150)	(56,300)	(58,742)
Payments to other funds			0	0
Net Cash Provided by Operating Activities	<u>35,160</u>	<u>64,081</u>	<u>99,241</u>	<u>153,605</u>
Cash Flows from Noncapital Financing Activities				
Transfer to other funds	(8,741)		(8,741)	(8,362)
Advances from other funds	1,839	8,656	10,495	1,385
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(6,902)</u>	<u>8,656</u>	<u>1,754</u>	<u>(6,977)</u>
Cash Flows from Capital and Related Financing Activities				
Purchases of capital assets			0	(319,536)
Adjustment			0	0
Grant income			0	313,836
Principal paid on capital debt	(33,945)	(34,549)	(68,494)	(67,055)
Interest paid on capital debt	(388)	(6,118)	(6,506)	(7,945)
Prior period adjustment	(13,834)	82,397	68,563	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(48,167)</u>	<u>41,730</u>	<u>(6,437)</u>	<u>(80,700)</u>
Cash Flows from Investing Activities				
Interest and dividends received	0	0	0	0
Net Cash Provided by Investing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Increase in Cash and equivalents	(19,909)	114,467	94,558	65,928
Cash and equivalents, Beginning of Year	64,933	29,999	94,932	29,012
Cash and equivalents, End of Year	<u>\$45,024</u>	<u>\$144,466</u>	<u>\$189,490</u>	<u>\$94,940</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities				
Operating income	(\$6,139)	(\$32,670)	(\$38,809)	\$8,287
Depreciation expense	63,409	84,448	147,857	139,353
(Increase) decrease in accounts receivable		(16,508)	(16,508)	(7,795)
Intergovernmental funds		26,678	26,678	24,466
(Increase) decrease in due from other funds	(58,466)	(28,639)	(87,105)	(68,292)
Increase (decrease) in customer deposits			0	(844)
Increase (decrease) in accounts payable	(3,095)	404	(2,691)	(8,075)
Increase (decrease) in due to other funds	39,451	30,368	69,819	66,505
Net Cash Provided by Operating Activities	<u>\$35,160</u>	<u>\$64,081</u>	<u>\$99,241</u>	<u>\$153,605</u>
Reconciliation of total cash and cash investments:				
Current assets - cash and cash investments	\$37,986	\$96,691	\$134,677	\$81,027
Restricted assets - cash and cash investments	7,038	47,775	54,813	13,913
Total cash and cash investments	<u>\$45,024</u>	<u>\$144,466</u>	<u>\$189,490</u>	<u>\$94,940</u>

The accompanying notes are an integral part of this statement.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2019

INTRODUCTION

The Town was incorporated under the provisions of Louisiana Revised Statutes 33:52. The Town operates under a form of government consisting of an elected mayor and a Town council, which has five elected members. The Town, with 7 employees, provides public safety, public works, utility services, and administrative services to its residents. The Town consists of approximately 1,000 citizens.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In June, 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (if any).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2019

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The Water fund is to account for the provision of water services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

The Sewer fund is to account for the provision of sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2019

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the proprietary funds include water and sewer services to the residents of the Town. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the Town are reported at fair value.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectives. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

<u>Taxes due for:</u>	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General operations and maintenance	12.90	11.78	6/30/19
Sewer District	5.81	5.04	6/30/19
Sewer Bond	5.81	5.04	6/30/19

The following are the principal taxpayers and related property tax revenue for the Town:

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2019

<u>Taxpayer</u>	<u>Type of business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad valorem Tax Revenue for Town</u>
Gibsland Bank & Trust	financial institution	616,235	23.28%	\$81,247
Kansas City Southern	railroad	145,470	5.50%	18,743
Total		<u>761,705</u>	<u>28.78%</u>	<u>\$99,990</u>

Sales Taxes. Sales taxes are collected by Bienville parish sales and use tax commission and remitted to the Town. Amounts remitted during the current period and amounts collected by the governmental agency during the current period and remitted within 60 days to the Town are recognized as revenue. The Town's sales tax percentage is 2 per cent.

E. Prepaid Items

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

F. Restricted Assets

Restricted assets include cash and cash investments in the Proprietary funds which are restricted to their use. These restrictions are principally related to requirements of bond issues and utility meter deposits. It is the Town's policy to use restricted assets before unrestricted assets for their intended purposes.

G. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Water and sewer system and lines	40 years
Buildings and improvements	10-27 years
Vehicles	3-5 years
Equipment	3-7 years

H. Compensated Absences

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

The Town's full time employees accrue sick and vacation time on a monthly basis calculated on an 8 hour basis as follows: sick leave is 40 hours per year; vacation is 40 hours for over 1 year of employment, 80 hours for over 2 years; 120 hours for over 5 years; 160 hours for over 12 years, and 200 hours for over 20 years. Sick and vacation time is charged at not less than 4 hours. Vacation and sick time must be used by the next year end (June 30) and cannot be carried forward. The Town's sick and vacation time at June 30, 2019, was not material to the financial statements and therefore, was not recorded.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2019

I. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

J. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

K. Estimates

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

L. RISK MANAGEMENT

The town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the town maintains commercial insurance policies covering its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded to policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended June 30, 2019.

M. GOVERNMENTAL FUND BALANCE

Beginning with fiscal year 2011, the Town implemented GASB Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable - amounts that are not in spendable form (such as prepaids) or are required to be maintained intact.

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed - amounts constrained to specific purpose by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned - amounts the government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned - amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2019

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION The Town uses the following budget practices:

The Town did not adopt a budget for the year ended June 30, 2019 for the General fund. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the June meeting, the Town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and expenses and the means of financing them. During the June meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year. There was one budget amendment for the year ended June 30, 2019.

3. CASH AND CASH EQUIVALENTS

At June 30, 2019, the Town has cash and cash equivalents (book balances) totaling \$229,833 as follows:

Demand deposits	\$229,833
Time deposits	<u>0</u>
Total	<u><u>\$229,833</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. 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. At June 30, 2019, the Town has \$172,521 in deposits (collected bank balances) which are all secured from risk by federal deposit insurance. (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

4. RECEIVABLES

The receivables of \$121,289 at June 30, 2019, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Utility Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Sales and use taxes	\$6,823			\$6,823
Franchise fees	6,876			6,876
Ad valorem taxes	1,040		\$1,668	2,708
Other	748			748
Accounts		<u>\$60,503</u>	<u>43,631</u>	<u>104,134</u>
Total	<u><u>\$15,487</u></u>	<u><u>\$60,503</u></u>	<u><u>\$45,299</u></u>	<u><u>\$121,289</u></u>

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2019

The Town's policy for bad debt accounting and write-offs is to send a letter to the occupant and owner after the due date. After 60 days, the utility line is sealed close. Reconnect fees must be paid to have service resumed. For deceased accounts, the clerk requests permission from the board to adjust the accounts to close.

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

Fund	Due from	Due to
General fund	\$166,443	\$217,272
Water fund	331,360	224,688
Sewer fund	217,483	273,326
Total	<u>\$715,286</u>	<u>\$715,286</u>

The balances consist of allocations for accounting fees, payroll and payroll taxes.

6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2019, for the primary government is as follows:

	Beginning Balance	Adjustment	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$23,642				23,642
Total capital assets not being depreciated	<u>23,642</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,642</u>
Buildings	44,513				44,513
Improvements other than buildings	227,010				227,010
Machinery and equipment	92,277				92,277
Infrastructure	27,989				27,989
Total capital assets being depreciated	<u>391,789</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>391,789</u>
Accumulated depreciation	<u>180,617</u>		<u>\$10,117</u>		<u>190,734</u>
Total capital assets being depreciated, net	<u>\$234,814</u>	<u>\$0</u>	<u>(\$10,117)</u>	<u>\$0</u>	<u>\$224,697</u>

Depreciation expense of \$10,117 was charged to the general government function.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$49,175			\$49,175
Construction in progress	350,577			350,577
Total capital assets not being depreciated	<u>399,752</u>	<u>0</u>	<u>0</u>	<u>399,752</u>
Capital assets being depreciated:				
Buildings	49,094			49,094
Improvements other than buildings	5,565,017	\$350,577		5,915,594

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2019

	Beginning Balance	Increases	Decreases	Ending Balance
Equipment	67,864			67,864
Vehicles	21,185			21,185
Total capital assets being depreciated	<u>5,703,160</u>	<u>350,577</u>	<u>0</u>	<u>6,053,737</u>
Less accumulated depreciation	<u>2,967,207</u>	<u>\$147,857</u>		<u>3,115,064</u>
Total business-type assets being depreciated, net	<u>\$2,735,953</u>	<u>\$202,720</u>	<u>\$0</u>	<u>\$3,338,425</u>

7. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$43,590 at June 30, 2019, are as follows:

	General Fund	Water Fund	Sewer Fund	Total
Accounts	<u>\$35,877</u>	<u>\$5,567</u>	<u>\$2,146</u>	<u>\$43,590</u>
Total	<u>\$35,877</u>	<u>\$5,567</u>	<u>\$2,146</u>	<u>\$43,590</u>

8. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2019:

	<u>Loans payable</u>
Long-term obligations, 6/30/18	\$337,391
Additions	0
Reductions	<u>(68,495)</u>
Long-term obligations, 6/30/19	<u>\$268,896</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2019:

	<u>Loans payable</u>
Current portion	\$34,792
Long-term portion	<u>234,104</u>
Total	<u>\$268,896</u>

Four loans outstanding at June 30, 2019, are loans payable to the U.S. Department of Agriculture - Farmers Home Administration with interest rates of 2.125%. Principal and interest payable in the next fiscal year are \$34,792 and \$5,429, respectively. The individual issues are as follows:

<u>Loan number</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>	<u>Funding Source</u>
Loan 92-02	7/15/83	2.125	2023	636	19,284	USDA
Loan 92-12	7/15/83	2.125	2022	277	17,541	USDA
Loan 92-13	7/15/83	2.125	2023	885	20,519	USDA
Loan 92-14	3/8/99	2.125	2039	45,522	211,552	USDA

Town of Gibsland, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2019

At June 30, 2019, the Town has accumulated \$47,775 for future debt repayments. The annual requirements to amortize all loans outstanding at June 30, 2019, including interest of \$47,320 is as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2020	\$34,792	\$5,429	\$40,221
2021	24,597	4,738	29,335
2022	26,234	4,320	30,554
2023	9,834	3,822	13,656
2024	10,045	3,611	13,656
2025 and thereafter	163,394	25,400	188,794
Total	<u>\$268,896</u>	<u>\$47,320</u>	<u>\$316,216</u>

9. ON BEHALF PAYMENTS FOR SALARIES

The Town should recognize as general fund revenues and expenses supplemental pay made by the State of Louisiana to the Town's police employees. For the year ended June 30, 2019, the town's police chief and officers received \$6,000 in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections but the town clerk did not include it with payroll information and pay the applicable taxes on it.

10. CONTINGENT LIABILITIES

At June 30, 2019, there was one litigation pending against the Town of Gibsland. The Town and Counsel expect a favorable outcome on this claim.

11. FUND DEFICIT/BALANCE

At June 30, 2019, the General Fund had a fund deficit of \$30,878. The Town's plan is to pay off all old outstanding debts and liabilities and set up internal controls to eliminate the deficit.

12. USDA

The Town has 258 and 31 water residential and commercial customers, respectively. The Town has 241 and 21 sewer residential and commercial customers, respectively.

13. MILLAGE RATE

The Town adjusted its millage rate effective November 1, 2018. The Town hired an outside millage management company to assist in compliance with any laws and regulations. For the year ended June 30, 2019 the Town collected \$25,010 related to the Sewer fund GO bonds and made payments of \$12,216. The reserve accounts are not fully funded as of June 30, 2019.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 23, 2020. This date represents the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

Town of Gibsland
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts GAAP Basis	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Taxes - ad valorem	\$17,597	\$30,843	\$29,153	(\$1,690)
Sales taxes	113,435	102,536	88,037	(14,499)
Other taxes	11,840	26,188	23,244	(2,944)
Licenses and permits	2,675	3,909	4,074	165
Franchise fees	52,472	27,594	35,009	7,415
Fines and forfeitures	542	92	92	0
Miscellaneous	7,226	261	5,336	5,075
Total Revenues	205,787	191,423	184,945	(6,478)
EXPENDITURES				
General government	195,476	175,238	146,183	29,055
Public Safety	8,188	4,769	31,217	(26,448)
Capital outlay	0	0	0	0
Total Expenditures	203,664	180,007	177,400	2,607
Excess (Deficiency) of Revenues over (under) Expenditures	2,123	11,416	7,545	(3,871)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	0	0
Operating transfers out	0	0	(1,839)	(1,839)
Total Other Financing Sources (Uses)	0	0	(1,839)	(1,839)
Net Change in Fund Balance	2,123	11,416	5,706	(5,710)
Fund Balance (Deficit) at Beginning of Year	0	0	(38,770)	(38,770)
Prior Period Adjustment	0	0	2,186	2,186
Fund Balance (Deficit) at End of Year	\$2,123	\$11,416	(\$30,878)	(\$42,294)

Notes to the Schedule

(1) method of budgetary accounting - GAAP, modified accrual basis

The accompanying notes are an integral part of this schedule.

OTHER SUPPLEMENTAL SCHEDULES

Town of Gibsland
 Schedule of Compensation Paid Board Members
 For the Year Ended June 30, 2019

Schedule 2

<u>Board Member</u>	<u>Term Expires</u>	<u>Amount</u>
Ray Ivory, Mayor	2023	\$2,000
Eddie Thompson, former mayor		500
Jeannie Richardson	2023	1,300
Patricia Durham	2023	1,300
Julius Pearson	2023	1,450
Debra Rushing	2023	650
Alvin Pearson	2023	1,350
Total		<u>\$8,550</u>

The accompanying notes are an integral part of this schedule.

Town of Gibsland
Schedule of Compensation, Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2019

Schedule 3

Agency Head Name: Mayor Ray Ivory, Sr., Eddie Thompson (interim)

Purpose	<u>Ivory</u>	<u>Thompson</u>
Per diem	\$2,000	\$500
Travel	384	
Registration fees	900	
Conference travel	722	897

Town of Gibsland
Schedule of Insurance in Force
As of June 30, 2019

Louisiana Municipal Risk Management Agency

Policy number: 100-1097-2019-17152

Effective: 4/4/2019

Expiration: 4/4/2020

Commercial general liability

Bodily injury and property damage: \$500,000 CSL

Premises operations: \$500,000 per occurrence

Products completed operations: Occurrence: included, \$500,000 aggregate

Medical payments: \$1,000 per person; \$10,000 per accident

Fire legal liability: \$50,000 per occurrence

Law enforcement officer

Deductible: \$1,000

Personal injury and property damage

Automobile liability

Bodily injury and property damage

OTHER REPORTS

WADE & PERRY

Certified Public Accountants

A Professional Accounting Corporation

Members: AICPA/ Society of LCPA's

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

Independent Auditor's Report

Mayor and Town Council
Town of Gibsland
Gibsland, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gibsland ("Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 23, 2020.

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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's

financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. 2019-001 and 2019-003

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. 2019-002, 2019-004, and 2019-009

Compliance and Other Matters

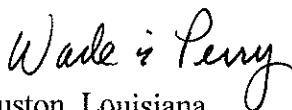
As part of obtaining reasonable assurance about whether Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-005, 2019-006, 2019-007, 2019-008, and 2019-010.

Town's Response to Findings

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

Purpose of this Report

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



Ruston, Louisiana
December 23, 2020

OTHER INFORMATION

Town of Gibsland
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

PART I. Summary of Audit Results

Financial statement audit

1. The type of audit report issued was unqualified.
2. There were five significant deficiencies required to be disclosed by Governmental Auditing Standards issued by the Comptroller General of the United States of America. Two of these significant deficiencies was reported as material weakness.
3. There was five instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statement.

Audit of Federal Awards

1. There were no federal awards received.

PART II. Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

2019-001. Significant deficiency in internal control over financial reporting

Condition: Management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare their annual financial statements. This condition is intentional by management based upon the Town's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. In relation to this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Four bank accounts were not reconciled nor entered in the general ledger for the year ended June 30, 2019.

Criteria: Considered material weakness if town cannot apply generally accepting accounting principles.

Cause: The town does not have staff capable of preparing report and notes and applying generally accepting accounting principles.

Effect: Potential misstatements in financial statements may not be detected.

Recommendation: No recommendation is made for this deficiency. Management must determine whether the benefit from an internal control exceeds its cost, and therefore it may be impractical to correct all deficiencies required to be reported under SAS 112. The cost benefit analysis is not a factor in the reporting requirement of SAS 112. We do not believe that correcting the significant deficiency as described above would be cost effective or practical for the Town. The Town does need to make sure all bank accounts are entered and reconciled in order for the board to make informed, educated decisions.

2019-002. Lack of segregation of duties

Condition: Due to limited personnel, the Town does not have an adequate segregation of duties regarding its accounting and reporting system to maintain a complete system of internal control. This finding is entity wide.

Criteria: It is considered good business practice to have segregation of duties wherever possible.

Cause: The town clerk is responsible for many duties related to cash, receivables, billing, collections, posting, reconciling, and payroll.

Effect: There is a potential for fraud due to lack of checks and balances and misstatements in financial statements may not be detected.

Recommendation: Accounting duties should be further segregated and proper approval steps implemented. A system of checks and balances should be set up for the town. A clear chain of command should be established.

2019-003. Internal control over disbursements is inadequate. This finding is entity wide.

Condition: Four of the 47 randomly selected disbursements were posted to an incorrect account of which 20 disbursements did not have supporting documentation. Three payroll disbursements did not have the timesheet provided to check being signed by a supervisor. Fifteen duplicate check numbers were entered into the general ledger. Twenty-eight of 91 missing checks from the general ledger could not be located to examine.

Criteria: Internal controls should be set up for all areas.

Cause: *Supporting documentation was not kept in a central location.*

Effect: Expenditures and payroll expenses may be misstated and is at risk for fraud.

Recommendation: The Town should maintain adequate supporting documentation for all disbursements. Check signers should not sign any disbursements without proper supporting documentation attached.

2019-004. No sheriff sale performed for uncollected property taxes

Condition: The Town did not have a sheriff sale done for uncollected property taxes.

Criteria: State statute requires the town to collect property taxes. When those taxes are not collected, the Town is to have a sheriff sale.

Cause: The Town did not have appropriate software to keep track of who had paid and who had not in order to give the sheriff a listing by property.

Effect: Revenues and accounts receivable may be understated and at risk for fraud.

Recommendation: We recommend that the Town maintain records of all paid and unpaid property taxes and submit that information to the sheriff's office for sheriff sale. The Town should also consult with legal representation regarding this issue.

2019-005. Reserve requirements are under funded. This finding is for the Sewer fund.

Condition: The Town re-amortized it's loans and bonds effective May 28, 2016 with reduced interest rates. The Town does not currently have a separate sinking fund, reserve fund, or contingency fund. The Town does not currently have the required amount set aside for loan reserves and customer deposits.

Criteria: Bonds require certain reserves be set up for sinking fund, reserve fund, contingency fund and customer deposits.

Cause: Due to poor financial management in previous years under other management, the IRS seized all town monies.

Effect: Noncompliance with USDA reserve requirements

Recommendation: The Town should continue working with the USDA Rural development office set up the required sinking fund, reserve fund, and contingency funds. The Town should implement procedures to fully fund the customer deposits balance.

2019-006. Failing to file financial statements pursuant to R.S. 24:513B.(3)

Condition: The Town's audited financial statements were not completed and submitted to the Louisiana Legislative Auditor's office by the statutory date of December 31, 2019.

Criteria: State law requires audited financial statements of governments to be submitted within six months of year end.

Cause: Management did not provide all necessary information in time for the external auditor to complete the audit by its due date.

Effect: Material noncompliance relating to the financial statements.

Recommendation: Management should have financial records completed in a timely manner.

2019-007. Town spent funds that do not support the public purpose of the Town and "loaned" money.

Condition: Violation of Article VII, Section 14.

Criteria: Article VII, Section 14 states in part "funds, credit, property, or things of value shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

Cause: The disbursement to the NAACP violates Article VII, Section 14 as this does not support the entire town's financial interest. Also two of total 10 utility customers tested and two board members did not pay their utility bills timely.

Effect: Violation of Article VII, Section 14.

Recommendation: Management should only spend funds on the public purpose of the town to refrain from violating this article.

2019-008. Nepotism violation

Condition: Violation of LRS 42:1119

Criteria: Nepotism provisions state no member of the immediate family of an agency head may be employed in his agency.

Cause: Disbursements to the mayor's daughter violate nepotism laws.

Effect: Violation of nepotism laws.

Recommendation: Town should immediately discontinue paying the mayor's daughter as not to violate nepotism laws.

2019-009. Significant deficiency in internal controls over payroll and related records

Condition: Some payroll taxes were not filed accurately and paid timely. Supplemental pay was not recorded with payroll records, and therefore payroll taxes were not paid on that pay. Sick and vacation records are not kept according to policy.

Criteria: Internal controls should be set up for all areas.

Cause: Staff is not aware of payroll rules and regulations.

Effect: Internal control violation and potential errors in payroll disbursements.

Recommendation: Employees involved in the payroll function need to understand payroll rules and regulations and the town's policy concerning sick and vacation pay.

2019-010. Open meetings law violation

Condition: Violation of LRS 43:143

Criteria: Public bodies should publish all minutes, ordinances, resolutions, budgets and other official proceedings.

Cause: Town did not publish its minutes, ordinances, resolutions, budgets and other official proceedings.

Effect: Violation of open meetings laws.

Recommendation: Town should publish all minutes, ordinances, resolutions, budgets and other official proceedings.

Town of Gibsland
Summary of Prior Year Findings
For the Year Ended June 30, 2019

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

- 2018-1. General accounting insufficient.
Conclusion: Unresolved - See 2019-1
- 2018-2. Lack of segregation of duties
Conclusion: Unresolved - See 2019-2
- 2018-3. Budget violation
Conclusion: Resolved
- 2018-4. Traffic ticket information insufficient for testing
Conclusion: Resolved
- 2018-5. Inadequate internal control over disbursements
Conclusion: Unresolved - See 2019-3
- 2018-6. Reserve requirements are under funded.
Conclusion: Unresolved - See 2019-5
- 2018-7. No sheriff sale for uncollected property taxes
Conclusion: Unresolved - See 2019-4
- 2018-8. Late report submission
Conclusion: Unresolved - See 2019-6

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

TOWN OF GIBSLAND
P.O. Box 309
Gibsland, LA 71028

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2019

Town of Gibsland hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

- 2019-1. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-2. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-3. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-4. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-5. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-6. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-7. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-8. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-9. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-10. The Town agrees with the recommendations and intends to implement them immediately.

WADE & PERRY

Certified Public Accountants

A Professional Accounting Corporation

Members: AICPA/ Society of LCPA's

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Town of Gibsland and the Louisiana Legislative Auditor:

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

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):¹
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g.

¹ For governmental organization, the practitioner may eliminate those categories and subcategories that do not apply to the organization's operations. For quasi-public organizations, including non-profits, the practitioner may eliminate those categories and subcategories that do not apply to public funds administered by the quasi-public.

periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**², including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) Written policies and procedures were obtained and address the functions noted above. The Entity is not in compliance with budgeting, purchasing, disbursements, receipts/collections, contracting, credit cards, ethics, debt, and disaster recovery/business continuity.

Board or Finance Committee³

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

² The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the non-profit should have written policies and procedures relating to ethics.

³ These procedures are not applicable to entities managed by a single elected official, such as sheriff or assessor.

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

No exceptions.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Observed that the minutes referenced the noted functions above for 10 of the 12 months during the fiscal year.

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

The minutes did not reference the negative ending unrestricted fund balance for the general fund or a plan to eliminate the negative balance.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts⁴ (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Obtained a listing of bank accounts for the fiscal period and management's representation that the listing is complete.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Two of the 5 account's reconciliations were prepared within two months of the selected statement closing date;

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

The bank reconciliation were performed by the Clerk, and no evidence to show that they were reviewed by anyone else.

⁴ Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Four of the 5 accounts, management has not documented that it has researched reconciling items that have been outstanding for more than 12 months.

Collections (excluding EFTs)⁵

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

Obtained a listing of deposit sites and the corresponding collection locations and management's representation that the listing is complete.

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

Obtain a listing of collection locations and management's representation that the listing is complete.

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

No exceptions.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Both employees responsible for collecting cash also prepare the deposits and do not have a separate employee responsible for reconciling collection documentation to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

One employee responsible for collecting cash also posts collection entries to the appropriate ledgers and is responsible for reconciling the ledger postings.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

⁵ The Collections category is not required to be tested if the entity has a third party contractor performing all collection functions (i.e., receiving collections, preparing deposits, and making deposits).

One employee responsible for collecting cash is also responsible for reconciling cash collections to the general ledger.

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

No exceptions.

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

One selected bank account did not have any deposits. Obtained support for remaining 8 deposits.

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

Two of the 8 deposits had sequentially, pre-numbered receipts.

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

No exceptions.

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

No exceptions.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Three of the 8 deposits was not deposited within one business day of receipt.

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

Traced six of the 8 deposits to the general ledger.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Obtained a listing of locations that process payments and management's representation that the listing is complete.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire

of employees about their job duties), and observe that job duties are properly segregated such that:

Obtained a listing of all employees involved with non-payroll purchasing and payments functions and observed that:

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

No exceptions.

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

No exceptions.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

One employee is responsible for processing payments, adding and modifying vendor files, and for periodically reviewing the changes to vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions.

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

Obtained the entity's non-payroll disbursement transaction population and obtained management's representation that the population is complete. Noted that not all activity was entered in the general ledger and/or reconciled throughout the year.

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

No exceptions.

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

Observed evidence of segregation of duties for 4 of the 5 disbursements.

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

Not applicable

Travel and Travel-Related Expense Reimbursements⁶ (excluding card transactions)

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

Obtained a listing of all travel and travel-related expense reimbursements, management's representation that the listing is complete, selected five disbursements for testing, obtained the related supporting documentation for two of the five disbursements, and;

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

For two of the 5 reimbursements, the supporting documentation did not contain proper evidence to compare them to GSA rates, support was not provided for the other three reimbursements;

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

For two of the five reimbursements, this item was not applicable, support was not provided for the other three reimbursements;

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

Observed that two of the five reimbursements noted the business/public purpose, support was not provided for the other three reimbursements, and;

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

Observed that one reimbursement was approved, in writing, by someone other than the person receiving reimbursement, one reimbursement was not, and support was not provided for the other three reimbursements.

Contracts

No prior year exceptions.

⁶ Non-travel reimbursements are not required to be tested under this category.

Payroll and Personnel

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

Obtained a listing of employees and management's representation that the listing is complete. Only one of the five selected employees had an authorized statement of salary/pay rate in their personnel file. The authorized pay rate agreed to the employee's pay rate for the one employee.

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

Obtained attendance and leave records for the selected pay period and;

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

No exceptions.

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

Observed supervisors did not approve or sign the daily attendance and leave records, and;

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

No exceptions.

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

Not applicable.

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

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

Ethics⁷

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above⁸, obtain ethics documentation from management, and:

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

Two of the 5 employees completed one hour of ethics training.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

The Entity does not have an ethics policy.

Debt Service⁹

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

No exceptions.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

No exceptions.

Other

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

Obtained management’s representation that there were not any misappropriations of public funds for the fiscal period.

⁷ The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the procedures should be performed.

⁸ If “payroll and personnel” have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for payroll and personnel.

⁹ This AUP category is generally not applicable to non-profit entities; however, if applicable, the procedures should be performed.

24. Observe that the entity has posted on its premises¹⁰ and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.¹¹

Did not observe the required notice on the entity's premises.

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

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

Wade & Perry

Ruston, LA

December 23, 2020

¹⁰ Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs.

¹¹ This notice is available for download or print at www.la.la.gov/hotline.

Town of Gibsland
Gibsland, LA

December 23, 2020

Wade & Perry, CPAs
Ruston, LA

The following is Management's Response to the 2019 AUP report submitted for Town of Gibsland.

WRITTEN POLICIES AND PROCEDURES

1. a) Budgeting
 - b) Purchasing
 - c) Disbursements
 - d) Receipts/collections
 - f) Contracting
 - g) Credit cards
 - i) Ethics
 - j) Debt Service
 - k) Disaster recovery/business continuity
- Management will work toward documenting existing policy.

BOARD OR FINANCE COMMITTEE

2. b) Management will work toward documenting monthly financial statements and budget-to-actual comparisons.
- c) Management will work toward making a formal plan to eliminate its negative fund balance.

BANK RECONCILIATIONS

3. a) Management will work toward reconciling all accounts within 2 months of the statement closing date.
- b) Management will work toward showing evidence of bank reconciliations being reviewed and signed off.
- c) Management will work toward having reconciling items researched.

COLLECTIONS

5. b) Management will work toward implementing checks and balances for this procedure.
- c) Management will work toward implementing checks and balances for this procedure.
- d) Management will work toward implementing checks and balances for this procedure.
7. a) Management will work toward issuing sequentially pre-numbered receipts.
- d) Management will work toward making all deposits within 1 business day of receipt.
- e) Management will work toward maintaining all documentation for all receipts.

DISBURSEMENTS

9. c) Management will work toward implementing checks and balances for this procedure.
10. b) Management will work toward keeping the original invoices in a central location.

TRAVEL

11. a) Management will work toward maintaining proper supporting documentation.
- b) Management will work toward keeping the original invoices in a central location.
- c) Management will work toward documenting business/public purpose on all reimbursements.
- d) Management will work toward reviewing and approving, in writing, all reimbursements.

PAYROLL AND PERSONNEL

16. Management will keep personnel files and update as necessary.
17. b) Management will implement supervisors to approve attendance and leave records.

ETHICS

20. a) Management will work toward having all required employees take ethics course.
- b) Management will work toward documenting this policy.

OTHER

24. Management will work toward posting the required notices on site.