

TOWN OF ST. JOSEPH, LOUISIANA

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

**Town of St. Joseph,
St. Joseph, Louisiana
For The Year Ended June 30, 2015**

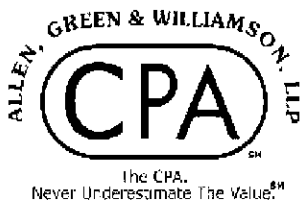
TABLE OF CONTENTS

	<u>Statement</u>	<u>Page</u>
Financial Section		
Independent Auditor's Report		5-7
Required Supplemental Information		
Management's Discussion and Analysis		9-21
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	A	23
Statement of Activities	B	24
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	26
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances	E	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	28
Proprietary Fund Type – Enterprise Fund		
Statement of Net Position	G	29
Statement of Revenues, Expenses, and Changes in Fund Net Position	H	30
Statement of Cash Flows	I	31-32
Notes to the Financial Statements		34-54

Town of St. Joseph,
St. Joseph, Louisiana
For The Year Ended June 30, 2015

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information		
Budgetary Comparison Schedule	1	56
Notes to Budgetary Comparison Schedule		57-58
Schedule of Proportionate Share of Net Pension Liability	2	59
Schedule of Employer Contributions to Pension Plan	3	60
Supplementary Information		
Non-Major Governmental Funds:		
Combining Balance Sheet	4	62
Combining Schedule of Revenues, Expenditures, and Changes In Fund Balance	5	63
Schedule of Compensation Paid to Aldermen	6	64
Schedule of Compensation, Benefits, and Other Payments to Agency Head	7	65
Other Information		
Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operations and Maintenance Fund		
Statement of Net Position	8	67
Statement of Revenues, Expenses and Changes in Fund Net Position	9	68
Other Reports Required by <i>Government Auditing Standards</i>		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		70-71
Schedule of Findings		72-85
Other Information		
Summary Schedule of Prior Year Audit Findings		87-89
Corrective Action Plan for Current Year Findings		90-100
Management Letter		101-102



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Independent Auditor's Report

To the Honorable Mayor Edward Brown
And the Board of Aldermen
Town of St. Joseph, Louisiana

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds information of the Town of St. Joseph, Louisiana as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Disclaimer of Opinion

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

Other Matters

Required Supplementary Information

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

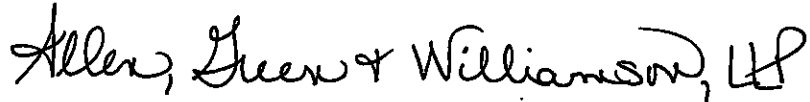
Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
May 13, 2016

REQUIRED SUPPLEMENTARY INFORMATION:

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

As management of the Town of St. Joseph, we offer readers of the Town of St. Joseph's financial statements this narrative overview and analysis of the financial activities of the Town of St. Joseph for the fiscal year ended June 30, 2015. It is designed to assist the reader in focusing on significant financial issues, identify changes in the Town's financial position, and identify material deviations and individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government* issued June 2001.

Financial Highlights

- 1). The assets and deferred outflows of resources of the Town of St. Joseph exceeded its liabilities and deferred outflows of resources at the close of the most recent fiscal year by \$2,293,381. This was a decrease of total net position of \$167,050; however, the Town reported a prior period adjustment of \$51,710 due to the implementation of GASB 68 and GASB 71. See Note 13 for additional information regarding the prior period adjustment. Of this \$2,293,381 of net position, \$195,518 was unrestricted, \$19,680 was restricted and \$2,078,183 was invested in capital assets net of the related debt.

Governmental activities net position decreased \$22,251 from the ending net position for fiscal year 2014. Revenues increased \$54,906 from prior year due to the increase in operating and capital grants of \$36,166 plus an increase in other general revenues of \$16,154. Expenses also increased \$60,574 due to the increase in general administration by \$14,124; public safety by \$35,239; and public works by \$16,043 offset by a decrease in culture and recreation of \$4,831. In addition, the governmental activities recorded a prior period adjustment of \$29,385 for the implementation of GASB 68 and GASB 71.

The \$196,509 decrease in net position for business-type activities from prior year's ending net position was the result of the following: a) revenues increased \$197,965 due to the increase in \$96,994 in operating and capital grants and \$116,523 increase in other general revenues mainly due to the increase in the Town's investment in the Joint Gas Line; b) expenses increased \$198,606 from prior year mainly due to the increase in depreciation expense of \$188,272 from prior year due to managements reevaluating the remaining useful life of the Town's water system; c) the business-type activities implementation of GASB 68 and GASB 71 decreased net position by \$22,325 thru a prior period adjustment.

- 2). As of the close of the fiscal year ended June 30, 2015, the Town's governmental funds reported a combined ending fund balance of \$187,518, an increase of \$6,087 when compared to the fund balance of the prior year.
- 3). At the end of the fiscal year ending June 30, 2015, the General Fund's fund balance of \$167,363 was available for spending at the Town's discretion.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's financial statements. As noted above, the Town's adoption of GASB Statement No. 34 significantly changed the format and presentation of the Town's financial report. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

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

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

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

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

The government-wide financial statements can be found on pages 23 and 24 of this report.

Fund financial statements

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

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

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

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

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

The governmental fund financial statements can be found on pages 25 through 28 of this report.

Proprietary funds

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

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

The basic proprietary fund financial statements can be found on pages 29 through 32 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government entity. For the year ended June 30, 2015, the Town had no fiduciary funds.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 34 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's compliance with budgets for its major funds and pension information. The combining statements for non-major governmental funds, schedule of compensation paid to Board of Aldermen, and schedule of compensation, benefits, and other payments to agency head are presented immediately following the required supplementary information and are reported as other supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of St. Joseph, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,293,381 at the close of the fiscal year ended June 30, 2015.

By far, the largest amount of the Town's net position (\$2,078,183) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves can't be used to liquidate these liabilities.

Following is a comparison of the Governmental and Business-type Activities for the years ended June 30, 2015, and 2014. The 2014 amounts presented were not restated to reflect the retrospective effect of the implementing GASB 68 and GASB 71 because the pro forma amounts were not readily determinable.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Town of St. Joseph, Louisiana
Schedule of Net Position
June 30, 2015, and 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
Governmental Activities:			
Current and Other Assets	\$ 236,428	\$ 219,450	\$ 16,978
Capital Assets	370,024	372,799	(2,775)
Total Assets	<u>606,452</u>	<u>592,249</u>	<u>14,203</u>
Deferred Outflows of Resources	<u>3,715</u>	<u>-</u>	<u>3,715</u>
Current and Other Liabilities	48,910	38,019	10,891
Long-term Liabilities	19,718	-	19,718
Total Liabilities	<u>68,628</u>	<u>38,019</u>	<u>30,609</u>
Deferred Inflows of Resources	<u>9,560</u>	<u>-</u>	<u>9,560</u>
Net Position:			
Net Investment in Capital Assets	370,024	372,799	(2,775)
Restricted	-	19,955	(19,955)
Unrestricted	161,955	161,476	479
Total Net Position	<u>\$ 531,979</u>	<u>\$ 554,230</u>	<u>\$ (22,251)</u>
Business-type Activities:			
Current and Other Assets	\$ 299,870	\$ 166,784	\$ 133,086
Capital Assets	2,067,259	2,301,506	(234,247)
Total Assets	<u>2,367,129</u>	<u>2,468,290</u>	<u>(101,161)</u>
Deferred Outflows of Resources	<u>2,823</u>	<u>-</u>	<u>2,823</u>
Current and Other Liabilities	227,205	144,165	83,040
Long-term Liabilities	374,082	366,214	7,868
Total Liabilities	<u>601,287</u>	<u>510,379</u>	<u>90,908</u>
Deferred Inflows of Resources	<u>7,263</u>	<u>-</u>	<u>7,263</u>
Net Position:			
Net Investment in Capital Assets	1,708,159	1,935,292	(227,133)
Restricted	19,680	16,176	3,504
Unrestricted	33,563	6,443	27,120
Total Net Position	<u>\$ 1,761,402</u>	<u>\$ 1,957,911</u>	<u>\$ (196,509)</u>

(Continued)

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Town of St. Joseph, Louisiana
Schedule of Net Position
June 30, 2015, and 2014 (cont.)

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
Total Activities:			
Current and Other Assets	\$ 536,298	\$ 386,234	\$ 150,064
Capital Assets	2,437,283	2,674,305	(237,022)
Total Assets	<u>2,973,581</u>	<u>3,060,539</u>	<u>(86,958)</u>
Deferred Outflows of Resources	<u>6,538</u>	<u>-</u>	<u>6,538</u>
Current and Other Liabilities	276,115	182,184	93,931
Long-term Liabilities	393,800	366,214	27,586
Total Liabilities	<u>669,915</u>	<u>548,398</u>	<u>121,517</u>
Deferred Inflows of Resources	<u>16,823</u>	<u>-</u>	<u>16,823</u>
Net Position:			
Net Investment in Capital Assets	2,078,183	2,308,091	(229,908)
Restricted	19,680	36,131	(16,451)
Unrestricted	195,518	167,919	27,599
Total Net Position	<u>\$ 2,293,381</u>	<u>\$ 2,512,141</u>	<u>\$ (218,760)</u>

(Concluded)

The Town's unrestricted net position of \$195,518 is comprised mostly of cash and amounts due from other funds.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

The results of this year's operation for the Town of St. Joseph's as a whole reduced net position by \$181,731. The following reflects the condensed Statement of Activities for the year ended June 30, 2015.

**Town of St. Joseph's Changes in Net Position
For the Years Ended June 30, 2015, and 2014**

Governmental Activities	June 30, 2015	June 30, 2014	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 115,883	\$ 113,831	\$ 2,052
Operating grants	15,066	-	15,066
Capital grants	55,000	33,900	21,100
General Revenue:			
Ad valorem taxes	37,237	35,577	1,660
Sales and other taxes	117,328	110,531	6,797
License and permits	108,742	116,665	(7,923)
Other general revenue	43,792	27,638	16,154
Total Revenue	<u>493,048</u>	<u>438,142</u>	<u>54,906</u>
Expenses:			
General government	188,243	174,119	14,124
Public safety	147,805	112,566	35,239
Public works	131,357	115,314	16,043
Culture and recreation	10,872	15,703	(4,831)
Health and welfare	7,637	7,638	(1)
Total Expenses	<u>485,914</u>	<u>425,340</u>	<u>60,574</u>
Increase (decrease) in Net Position before transfers	7,134	12,802	(5,668)
Transfers	<u>-</u>	<u>176,063</u>	<u>(176,063)</u>
Increase (decrease) in Net Position	7,134	188,865	(181,731)
Net Position, Beginning, as originally stated	554,230	365,365	188,865
Prior period adjustment	<u>(29,385)</u>	<u>-</u>	<u>(29,385)</u>
Net Position, Beginning, as restated	<u>524,845</u>	<u>365,365</u>	<u>159,480</u>
Net Position, Ending	<u>\$ 531,979</u>	<u>\$ 554,230</u>	<u>\$ (22,251)</u>

(Continued)

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

**Town of St. Joseph's Changes in Net Position
For the Years Ended June 30, 2015, and 2014, (cont.)**

Business-type Activities	June 30, 2015	June 30, 2014	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 610,643	\$ 626,195	\$ (15,552)
Operating grants	47,547	22,953	24,594
Capital grants	72,400	-	72,400
General Revenue:			
Other general revenue	49,583	(66,940)	116,523
Total Revenue	<u>780,173</u>	<u>582,208</u>	<u>197,965</u>
Expenses:			
Utility	954,357	755,751	198,606
Total Expenses	<u>954,357</u>	<u>755,751</u>	<u>198,606</u>
Increase (decrease) in Net Position before transfers	(174,184)	(173,543)	(641)
Transfers	<u>-</u>	<u>(176,063)</u>	<u>176,063</u>
Increase (decrease) in Net Position	(174,184)	(349,606)	175,422
Net Position, Beginning, as originally stated	1,957,911	2,307,517	(349,606)
Prior period adjustment	(22,325)	-	(22,325)
Net Position, Beginning, as restated	<u>1,935,586</u>	<u>2,307,517</u>	<u>(371,931)</u>
Net Position, Ending	<u>\$ 1,761,402</u>	<u>\$ 1,957,911</u>	<u>\$ (196,509)</u>

(Continued)

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

**Town of St. Joseph's Changes in Net Position
For the Years Ended June 30, 2015, and 2014 (cont.)**

Total Activities	June 30, 2015	June 30, 2014	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 726,526	\$ 740,026	\$ (13,500)
Operating grants	62,613	56,853	5,760
Capital grants	127,400	-	127,400
General Revenue:			
Ad valorem taxes	37,237	35,577	1,660
Sales and other taxes	117,328	110,531	6,797
License and permits	108,742	116,665	(7,923)
Other general revenue	93,375	(39,302)	132,677
Total Revenue	<u>1,273,221</u>	<u>1,020,350</u>	<u>252,871</u>
Expenses:			
General government	188,243	174,119	14,124
Public safety	147,805	112,566	35,239
Public works	131,357	115,314	16,043
Culture and recreation	10,872	15,703	(4,831)
Health and welfare	7,637	7,638	(1)
Utility	954,357	755,751	198,606
Total Expenses	<u>1,440,271</u>	<u>1,181,091</u>	<u>259,180</u>
Increase (decrease) in Net Position	<u>(167,050)</u>	<u>(160,741)</u>	<u>(6,309)</u>
Net Position, Beginning, as originally stated	2,512,141	2,672,882	(160,741)
Prior period adjustment	(51,710)	-	(51,710)
Net Position, Beginning, as restated	<u>2,460,431</u>	<u>2,672,882</u>	<u>(212,451)</u>
Net Position, Ending	<u>\$ 2,293,381</u>	<u>\$ 2,512,141</u>	<u>\$ (218,760)</u>

Governmental activities

In the current year, governmental activities had an increase of \$7,134 in net position, compared to \$188,865 in the prior year. The prior year increase included a transfer in of \$176,063 from business-type funds. When the transfer from business-type funds is removed, the results of operations for the year ended June 30, 2014, are very close to the year ended June 30, 2015.

Expenses are classified by functions. General government accounted for approximately \$188,243 in expenses or 39% of total governmental activities expenses. Public safety, public works, and culture and recreation accounted for 30%, 27%, and 2% of the governmental activities expenses, respectfully.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Governmental activities (cont.)

Sales and other tax revenue, which provided \$117,328 of revenue, was the largest source of general revenues for the Town. Licenses and permits was second at \$108,742.

Business-type activities

The decrease in net position for business-type operations for the current year was \$174,184 compared to a decrease of \$349,606 in the prior year. The prior year had a transfer out to governmental funds of \$176,063. The removal of this transfer would make the decrease in the prior year \$173,543, or \$641 less than the current year loss. Depreciation expense in the current year was \$308,887 compared to \$120,615 in the prior year. \$191,542 of this increase in depreciation expense over last year is due to management's reevaluation of the remaining useful life of the Town's water system in 2015. It appears as if the business-type fund made some very positive progress in the current year. Business-type activities decreased the Town of St. Joseph's net position by \$174,184.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the Town of St. Joseph's governmental funds reported combined ending fund balances of \$187,518, an increase of \$6,087, when compared with the prior year. \$167,363 of this total fund balance constitutes unassigned fund balance, which is available for spending at the Town's discretion and \$20,155 is assigned to specific purposes.

The general fund is the chief operating fund of the Town of St. Joseph. At the end of the current fiscal year, fund balance of the general fund was \$167,363, all of which is unassigned.

General Fund Budgetary Highlights

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA - R.S. 39:1301 et seq), the Town must adopt a budget for the General Fund and all Special Revenue funds prior to June 30. The original budget for the Town was adopted on June 30, 2014. The actual revenues exceeded budgeted amounts by \$91,880 for the year ending June 30, 2015. This difference was primarily because the town did not budget for the revenue to be received for charges for services (trash and garbage collections). The actual expenditures exceeded budgeted amounts by \$93,518, primarily because expenditures were under-budgeted for public safety, public works, and capital outlay. There were no approved budget revisions for fiscal year ended June 30, 2015.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Capital Assets and Debt Administration

Capital assets

The Town of St. Joseph's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounted to \$2,437,283 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment.

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

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Nondepreciable assets:			
Land	\$ 43,915	\$ 7,886	\$ 51,801
Work in progress	-	72,900	72,900
Depreciable assets:			
Buildings	458,544	-	458,544
Walking trail	97,551	-	97,551
Equipment	496,061	-	496,061
Water system	-	2,667,744	2,667,744
Gas system	-	730,463	730,463
Sewer system	-	2,030,354	2,030,354
Service equipment	-	212,652	212,652
Office equipment	-	14,534	14,534
Wireless communication equipment	-	1,419	1,419
Amphitheatre	-	335,948	335,948
Total Capital Assets	<u>1,096,071</u>	<u>6,073,900</u>	<u>7,169,971</u>
Less: Accumulated Depreciation	<u>(726,047)</u>	<u>(4,006,641)</u>	<u>(4,732,688)</u>
Net Capital Assets	<u>\$ 370,024</u>	<u>\$ 2,067,259</u>	<u>\$ 2,437,283</u>

Capital asset events during the current fiscal year are as follows:

The purchase of equipment, construction in progress, and major repairs by the Enterprise fund was \$74,640 and \$47,008 by the General fund.

Long-term Debt

The Town of St. Joseph has one long-term bond debt at June 30, 2015, which was a \$423,000 revenue bond dated January 26, 2004. Installments are due in monthly payments of \$1,599 through January 26, 2044, with interest at 3.25%. The proceeds of these bonds were used to construct a new water treatment plant. The outstanding balance at June 30, 2015, was \$359,100.

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Current Financial Factors

In fiscal year 2015 the Town adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

Statement No. 68, Accounting and Financial Reporting for Pensions - and Amendment of GASB Statement No. 27 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. This Statement establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to the actuarial present value, and attribute that present value to periods of employee service.

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The adoption of Statements No. 68 and 71 has no impact on the Town's governmental fund financial statements, which continue to report expenditures in the amount of the actuarially determined contributions, as required by State statute. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the Town's fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statements. Net position as of July 1, 2014 was decreased by \$51,710 reflecting the cumulative retrospective effect of adoption. Refer to Note 7 for more information regarding the Town's pensions.

Economic Factors and Future Outlook

The Town's budgeted revenues and expenditures for 2016 are comparable to 2015's actual revenues and expenditures. The Town does not anticipate any changes in its day-to-day operations that will have a material effect on its 2016 budget of the general fund.

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

- A. \$7,600,000 grant for water distribution lines and water plant facility improvements
- B. \$250,000 emergency grant to replace water distribution lines
- C. \$480,000 grant to renovate the Town's elevated water tank

TOWN OF ST. JOSEPH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF ST. JOSEPH, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 63,107	\$ 98,871	\$ 161,978
Receivables, net	29,006	169,024	198,030
Internal balances	144,315	(144,315)	-
Gas utility deposit	-	35,000	35,000
Restricted Assets:			
Cash and cash equivalents	-	80,202	80,202
Investment in jointly owned gas operation and maintenance fund	-	61,088	61,088
Capital assets			
Land and construction in progress	43,915	80,786	124,701
Depreciable assets, net of depreciation	326,109	1,986,473	2,312,582
Total Assets	606,452	2,367,129	2,973,581
Deferred Outflows of Resources - Related to Pensions	3,715	2,823	6,538
Liabilities			
Accounts payable and accrued expenses	39,343	157,511	196,854
Accrued payroll and benefits	9,567	9,172	18,739
Payable from restricted assets - customer and utility payments	-	60,522	60,522
Long term liabilities			
Due within one year			
Bonds payable	-	7,348	7,348
Due in more than one year			
Bonds payable	-	351,752	351,752
Net pension liability	19,718	14,982	34,700
Total Liabilities	68,628	601,287	669,915
Deferred Inflows of Resources - Related to Pensions	9,560	7,263	16,823
Net Position			
Net investment in capital assets	370,024	1,708,159	2,078,183
Restricted	-	19,680	19,680
Unrestricted	161,955	33,563	195,518
Total Net Position	\$ 531,979	\$ 1,761,402	\$ 2,293,381

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF ST. JOSEPH, LOUISIANA
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charge for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 188,243	\$ -	\$ -	\$ -	\$ (188,243)	\$ -	\$ (188,243)
Public safety	147,805	-	15,066	-	(132,739)	-	(132,739)
Public works	131,357	115,883	-	34,480	19,006	-	19,006
Culture and recreation	10,872	-	-	20,520	9,648	-	9,648
Health and welfare	7,637	-	-	-	(7,637)	-	(7,637)
Total governmental activities	485,914	115,883	15,066	55,000	(299,965)	-	(299,965)
Business-type activity:							
Utility fund	954,357	610,643	47,547	72,400	-	(223,767)	(223,767)
Total Primary government	<u>\$ 1,440,271</u>	<u>\$ 726,526</u>	<u>\$ 62,613</u>	<u>\$ 127,400</u>	(299,965)	(223,767)	(523,732)
General revenues							
Taxes:							
Ad valorem taxes					37,237	-	37,237
Sales taxes					117,328	-	117,328
License and permits					108,742	-	108,742
Fines and forfeitures					3,767	-	3,767
Use of money and property					18,701	44	18,745
Miscellaneous					21,324	-	21,324
Income from jointly owned gas operations and maintenance fund					-	49,539	49,539
Total general revenues					307,099	49,583	356,682
Changes in net position					7,134	(174,184)	(167,050)
Net Position at beginning of year - as originally stated					554,230	1,957,911	2,512,141
Prior year adjustment					(29,385)	(22,325)	(51,710)
Net Position at beginning of year - as restated					524,845	1,935,586	2,460,431
Net Position at end of year					<u>\$ 531,979</u>	<u>\$ 1,761,402</u>	<u>\$ 2,293,381</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF ST. JOSEPH, LOUISIANA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Non-major Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 55,883	\$ 7,224	\$ 63,107
Receivables	29,006	-	29,006
Interfund receivables	131,384	12,931	144,315
	<u>216,273</u>	<u>20,155</u>	<u>236,428</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued expenses	39,343	-	39,343
Accrued payroll and benefits	9,567	-	9,567
	<u>48,910</u>	<u>-</u>	<u>48,910</u>
Fund Balances:			
Assigned	-	20,155	20,155
Unassigned	167,363	-	167,363
	<u>167,363</u>	<u>20,155</u>	<u>187,518</u>
Total Liabilities and Fund Balances	<u>\$ 216,273</u>	<u>\$ 20,155</u>	<u>\$ 236,428</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF ST. JOSEPH, LOUISIANA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Fund balances - total governmental funds		\$ 187,518
<p>The cost of capital assets (land, buildings, furniture and equipment and infrastructure) purchased or constructed is reported as an expenditure in the governmental funds. The Statement of Net Position includes those capital assets among the assets of the Town as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.</p>		
Cost of capital assets		1,096,071
Accumulated depreciation		<u>(726,047)</u>
		370,024
<p>Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.</p>		
Net pension liability		(19,718)
<p>Deferred outflows of resources and deferred inflows of resources are not available to pay current period expenditures and, therefore are not reported in governmental funds.</p>		
Deferred outflows of resources		3,715
Deferred inflows of resources		<u>(9,560)</u>
		<u>(5,845)</u>
Net position of governmental activities		<u><u>\$ 531,979</u></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF ST. JOSEPH, LOUISIANA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Non-major Governmental Funds	Total
Revenues			
Taxes:			
Ad valorem	\$ 37,237	\$ -	\$ 37,237
Sales and use	117,328	-	117,328
Charges for services	115,883	-	115,883
License, permits, and commission for services	108,742	-	108,742
Intergovernmental :			
State	70,066	-	70,066
Fines and forfeitures	3,767	-	3,767
Use of money and property	18,501	200	18,701
Miscellaneous revenues	20,375	-	20,375
	<u>491,899</u>	<u>200</u>	<u>492,099</u>
Expenditures			
Current:			
General government	189,026	-	189,026
Public safety	131,343	-	131,343
Public works	112,641	-	112,641
Culture and recreation	5,994	-	5,994
Capital outlay	47,008	-	47,008
	<u>486,012</u>	<u>-</u>	<u>486,012</u>
Excess of Revenues over Expenditures	5,887	200	6,087
Fund Balances at Beginning of Year	<u>161,476</u>	<u>19,955</u>	<u>181,431</u>
Fund Balances at End of Year	<u>\$ 167,363</u>	<u>\$ 20,155</u>	<u>\$ 187,518</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF ST. JOSEPH, LOUISIANA
 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, 2015

Net change in fund balances- governmental funds		\$ 6,087
Amount reported for governmental activities in the statement of activities are different because:		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period:</p>		
Capital outlay	47,008	
Depreciation expense	<u>(49,783)</u>	
Change		(2,775)
<p>Governmental funds report retirement expenditures as payment is remitted to the retirement systems. However, in the government-wide Statement of Activities, pension expense is based on projected benefit payments discounted to actuarial present value and attributed to periods of employee service</p>		
		<u>3,822</u>
Change in net position of governmental activities		<u><u>\$ 7,134</u></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF ST. JOSEPH, LOUISIANA
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	Utility Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 98,871
Accounts receivable, net	169,024
Total Current Assets	267,895
Noncurrent Assets:	
Gas utility deposit	35,000
Restricted cash and cash equivalents	80,202
Invested in jointly owned gas operations and maintenance fund	61,088
Capital assets	
Land and construction in progress	80,786
Depreciable assets, net of depreciation	1,986,473
Total Noncurrent Assets	2,243,549
Total Assets	2,511,444
Deferred Outflows of Resources - Related to Pensions	2,823
Liabilities	
Current Liabilities:	
Accounts payable and accrued expenses	157,511
Accrued payroll and benefits	9,172
Interfund payables	144,315
Revenue bonds payable	7,348
Total Current Liabilities	318,346
Liabilities payable from restricted assets:	
Customer deposits	46,505
Utility payments	14,017
Total Liabilities Payable From Restricted Assets	60,522
Noncurrent Liabilities:	
Revenue bonds payable	351,752
Net pension liability	14,982
Total Noncurrent Liabilities	366,734
Total Liabilities	745,602
Deferred Inflows of Resources - Related to Pensions	7,263
Net Position	
Net Investment in capital assets	1,708,159
Restricted	19,680
Unrestricted	33,563
Total Net Position	\$ 1,761,402

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF ST. JOSEPH, LOUISIANA
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	Utility Fund
Operating Revenues	
Water sales	\$ 260,866
Gas sales	228,206
Sewerage fees	98,780
Penalties	19,434
Other operating revenues	3,357
Total Operating Revenues	610,643
Operating Expenses	
Water expense	219,941
Gas expense	310,808
Sewer expense	61,442
Depreciation	308,887
General and administration	28,691
Bad debts and returned checks	12,514
Total Operating Expenses	942,283
Operating Income (Loss)	(331,640)
Non-Operating Revenues (Expenses)	
Interest income	44
Intergovernmental - State grants	47,547
Income from jointly owned gas line	49,539
Interest expense	(12,074)
Total Non-Operating Revenue (Expenses)	85,056
Income before capital contributions	(246,584)
Capital contributions	72,400
Change in Net Position	(174,184)
Net Position - Beginning of Year - as originally stated	1,957,911
Prior year adjustment	(22,325)
Net Position - Beginning of Year - as restated	1,935,586
Net Position - End of Year	\$ 1,761,402

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF ST. JOSEPH, LOUISIANA
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015

	Utility Fund
Cash flows from operating activities	
Cash received from customers	\$ 569,397
Cash paid for employee services	(119,894)
Payments to others for supplies and services	(511,016)
Net cash provided by (used for) by operating activities	(61,513)
Cash flows from noncapital financing activities	
Operating grants	41,550
Net cash provided by (used for) noncapital financing activities	41,550
Cash flows from capital and related financing activities	
Acquisition of capital assets	(1,740)
Principle bond payments	(7,114)
Interest and penalties paid on debt	(12,074)
Net cash provided by (used for) from capital and related financing activities	(20,928)
Cash flows from investing activities	
Earnings on investments	44
Joint Gas Line contributions	(54,780)
Net cash provided by (used for) by investing activities	(54,736)
Net increase (decrease) in cash and cash equivalents	(95,627)
Cash and cash equivalents, beginning of year	274,700
Cash and cash equivalents, end of year	\$ 179,073
Shown on the accompanying statement of net position as	
Cash	\$ 98,871
Restricted cash	80,202
Total	\$ 179,073

(Continued)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF ST. JOSEPH, LOUISIANA
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 STATEMENT OF CASH FLOWS (Continued)
 FOR THE YEAR ENDED JUNE 30, 2015

	Utility Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (331,640)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	308,887
Pension expense	(80)
Current year contributions made subsequent to the measurement date	(2,823)
(Increase) decrease in operating accounts receivable	(46,942)
(Increase) decrease in interfund receivable	45,020
(Increase) decrease in deferred charges	7,104
(Increase) decrease in utility deposit	(35,000)
Increase (decrease) in operating accounts payable and accrued expense	11,063
Increase (decrease) in accrued payroll benefits	3,029
Increase (decrease) in interfund payable	(16,179)
Increase (decrease) in deposits due others	(4,892)
Increase (decrease) in utility payment for others	940
	\$ (61,513)

(Concluded)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The accompanying financial statements include all funds and account groups of the Town of St. Joseph, Louisiana (the Town). The accompanying financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Town consists of an executive branch of government headed by a mayor and a legislative branch of government consisting of five aldermen. The Town's major operations include police and fire protection, street and drainage maintenance, garbage and trash collection, and administrative services. The Town also operates a Utilities Enterprise Fund to provide gas, sewerage and water services.

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

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

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

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

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

B. Basis of Presentation

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

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

B. Basis of Presentation (cont.)

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for a government's general activities, where the focus of attention is on the provision of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The Town's current operations require the use of the governmental and proprietary categories.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

B. Basis of Presentation (cont.)

Governmental Funds

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

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

Revenues:

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

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

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

Proprietary Funds

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

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

B. Basis of Presentation (cont.)

Proprietary funds operating and non-operating revenues and expenses:

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town reports the following major enterprise fund:

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

The Town's Utility Fund charged the following rates for water, sewer, and gas during the year:

Water rates:

- a: Customers inside the city limits of St. Joseph, Louisiana are charged \$26.50 for the first 2,000 gallons and \$2.50 for each additional 1,000 gallons or fraction thereof.
- b: Customers outside the city limits of St. Joseph, Louisiana are charged \$53.00 for the first 2,000 gallons and \$5.00 for each additional 1,000 gallons or fraction thereof.

Sewer rates are based on water usage.

Gas rate charged to customers at June 30, 2015, was \$12.00 for each 1,000 cubic feet of gas used or fraction thereof.

The General Fund charges the following rates:

Garbage rate - \$5.00 per month.

Trash pick-up - \$5.00 per month.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

C. Budgets and Budgetary Accounting

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

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

D. Cash and Cash Equivalents

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

E. Interfund Receivables and Payables

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

F. Capital Assets

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

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

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

F. Capital Assets (cont.)

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

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

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

G. Long-term Liabilities

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

H. Fund Equity

Beginning with fiscal year 2011, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

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

Committed Fund Balance - amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (Board of Aldermen). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

H. Fund Equity (cont.)

Assigned Fund Balance - amounts the Town intends to use for a specific purpose. Intent is expressed by the Board of Aldermen.

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

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

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

I. Deferred Outflows of Resources and Deferred Inflows of Resources

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

J. Bad Debts

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

K. Compensated Absences

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

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

L. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use by external parties such as creditors, grantors, laws or regulations of other governments. The Town first applies restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net position are available.

M. Use of Estimates

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

Note 2 - Cash, Cash Equivalents, and Investments

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

At June 30, 2015, the Town had cash and cash equivalents totaling \$242,180 as follows:

Petty Cash	\$	850
Demand Deposits		138,980
LAMP Deposits		102,350
Total	<u>\$</u>	<u>242,180</u>

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or pledged securities owned by the fiscal agent bank. The market value of pledged securities plus federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The bank balance of \$145,896 was fully secured by FDIC at June 30, 2015. The Town's policy does not address custodial credit risk.

LAMP is a 2a7-like investment pool and is rated AAAM by the Standard and Poor's. In accordance with GASB Codification I50.165 the investment in LAMP at June 30, 2015, is not categorized in the three risk categories provided by the GASB I50.164 because the investment is in a pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form. Only local governments that have contracted to participate have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2- Cash, Cash Equivalents, and Investments (cont.)

funds in short-term, high-quality investments. The portfolio includes only securities and other obligations in which local governments are authorized to invest. Accordingly, investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Note 3 - Receivables

Receivables of \$198,030 as of June 30, 2015, are comprised of the following:

Fund Type	Sales Tax	Accounts	Inter- Governmental	Other	Total
General	\$ 10,121	\$ -	\$ 11,680	\$ 7,205	\$ 29,006
Proprietary	-	108,539	96,607	-	205,146
Less Allowance for Doubtful					
Accounts	-	(36,122)	-	-	(36,122)
Total	<u>\$ 10,121</u>	<u>\$ 72,417</u>	<u>\$ 108,287</u>	<u>\$ 7,205</u>	<u>\$198,030</u>

The Town has 508 water customers and 487 sewer customers. They also serve 389 gas customers. An aging of the utility receivables as of June 30, 2015, is as follows:

	Water	Gas	Sewer	Trash	Garbage	Other	Total
0-30 days	\$ 29,241	\$ 8,084	\$ 12,006	\$ 3,843	\$ 4,368	\$ 250	\$ 57,792
31-60 days	14,024	3,626	6,247	1,904	2,086	250	28,137
61-90 days	1,924	1,249	1,098	358	356	200	5,185
91-120 days	2,238	3,645	1,430	231	233	107	7,884
Over 120 days	5,152	2,576	1,049	286	382	96	9,541
Total	<u>\$ 52,579</u>	<u>\$ 19,180</u>	<u>\$ 21,830</u>	<u>\$ 6,622</u>	<u>\$ 7,425</u>	<u>\$ 903</u>	<u>\$108,539</u>

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 4 - Internal Balances

Due from/to other funds:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$131,384	Utility Fund	\$144,315
Non-major Governmental	<u>12,931</u>		
 Total	 <u>\$144,315</u>		 <u>\$144,315</u>

In the year ended June 30, 2015, the Lake Bruin Special account paid legal fees for the Utility Fund in the amount of \$12,931.

The Utility Fund bills and collects for trash and garbage services of the General Fund. At June 30, 2015, the Utility Fund owed the General Fund \$131,284 mainly for trash and garbage fees.

At this time management does not believe these loans will be repaid by June 30, 2016.

Note 5 - Ad Valorem Taxes

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

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

The ad valorem tax mileage is as follows:

	<u>Mills</u>
General Ad Valorem Tax	7.19

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 - Changes in Capital Assets

The changes in capital assets are as follows:

	Balance 6/30/2014	Additions	Retirements and Transfers	Balance 6/30/2015
Governmental activities:				
Nondepreciable assets:				
Land	\$ 43,915	\$ -	\$ -	\$ 43,915
Depreciable assets:				
Buildings	458,544	-	-	458,544
Walking trail	97,551	-	-	97,551
Equipment	735,472	47,008	286,419	496,061
Total capital assets	<u>1,335,482</u>	<u>47,008</u>	<u>286,419</u>	<u>1,096,071</u>
Less: accumulated depreciation	<u>(962,683)</u>	<u>(49,783)</u>	<u>286,419</u>	<u>(726,047)</u>
 Total governmental activities capital assets, net	 <u>\$ 372,799</u>	 <u>\$ (2,775)</u>	 <u>\$ -</u>	 <u>\$ 370,024</u>
 Business-type activities:				
Nondepreciable assets:				
Land	\$ 7,886	\$ -	\$ -	\$ 7,886
Work in progress	-	72,900	-	72,900
Depreciable assets:				
Water system	2,669,417	-	1,673	2,667,744
Gas system	730,463	-	-	730,463
Sewer system	2,030,354	-	-	2,030,354
Service equipment	331,736	-	119,084	212,652
Office equipment	24,138	1,740	11,344	14,534
Wireless communication equipment	16,077	-	14,658	1,419
Amphitheatre	335,948	-	-	335,948
Total capital assets	<u>6,146,019</u>	<u>74,640</u>	<u>146,759</u>	<u>6,073,900</u>
Less: accumulated depreciation	<u>(3,844,513)</u>	<u>(308,887)</u>	<u>146,759</u>	<u>(4,006,641)</u>
 Total business-type capital assets, net	 <u>\$ 2,301,506</u>	 <u>\$ (234,247)</u>	 <u>\$ -</u>	 <u>\$ 2,067,259</u>

The Town, in accordance with their policy of not capitalizing infrastructure assets retroactively, has eliminated \$664,800 of street improvements reported in prior years.

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 6 - Changes in Capital Assets (cont.)

Depreciation of \$308,887 as of June 30, 2015, was charged to expense in the business-type activities: Utility Fund. Depreciation charged to governmental activities is as follows:

General government	\$ 2,090
Public safety	16,462
Public works	18,716
Culture and recreation	4,877
Health and welfare	<u>7,638</u>
 Total	 <u><u>\$ 49,783</u></u>

Note 7 - Pension Plan - Municipal Employees' Retirement System

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

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

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

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

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

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

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 7 - Pension Plan - Municipal Employees' Retirement System (cont.)

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

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

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

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

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

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

Cost of Living Adjustments: As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of cost of living adjustments, or COLAs, that are funded through investment earnings when recommended by the board of trustees and approved by the legislature. The ad hoc COLAs are not considered to be substantively automatic.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 7 - Pension Plan - Municipal Employees' Retirement System (cont.)

Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2015, the actual employer contribution rate was 9.5% for Plan B. The actuarially determined rate is the rate calculated to provide employer contributions that, when combined with employee contributions, is expected to finance the cost of benefits earned by the employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective. In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. For the year ended June 30, 2015, employer contributions to the pension plan from the Town were \$4,867 (\$2,765 for governmental activities and \$2,102 for business-type activities), and non-employer contributions were \$1,671 of which \$950 was recognized as revenue in the governmental activities and \$721 in business-type activities.

Pension Liabilities, Pension Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension: At June 30, 2015, the Town reported liabilities of \$34,700 for its proportionate share of the Net Pension Liability (NPL). The NPL was measured as of June 30, 2014, and the total pension liabilities used to calculate NPL were determined by actuarial valuations as of that date. The Town's proportions of the NPL were based on projections of the long-term share of contributions to the pension plans relative to the projected contribution of all participating employers, actuarially determined. As of June 30, 2014, the most recent measurement date, the Town's proportions and the changes in proportion from the prior measurement date were 0.073909%, or a decrease of 0.030817%.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 7 - Pension Plan - Municipal Employees' Retirement System (cont.)

For the year ended June 30, 2015, the Town recognized a total pension expense of \$(189), \$(80) for governmental activities and \$(109) for business-type activities. The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		Business-type Activities		Total Activities	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ -	\$ 359	\$ -	\$ 272	\$ -	\$ 631
Net difference between projected and actual earnings on pension plan investments	-	1,883	-	1,430	-	3,313
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	7,318	-	5,561	-	12,879
Employer contributions subsequent to the measurement date	3,715	-	2,823	-	6,538	-
Total	\$ 3,715	\$ 9,560	\$ 2,823	\$ 7,263	\$ 6,538	\$ 16,823

Deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Town's NPL in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Governmental Activities		Business-type Activities		Total Activities	
<u>Year ended June 30,</u>						
2016	\$	3,030	\$	2,302	\$	5,332
2017		3,030		2,302		5,332
2018		3,030		2,302		5,332
2019		470		357		827

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 7 - Pension Plan - Municipal Employees' Retirement System (cont.)

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

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.75%, net of investment expense
Inflation Rate	3.00%
Projected Salary Increase	5.75% (3% Inflation, 2.75% Merit)
Mortality Rates	RP-2000 Employee Table of Active Members RP-2000 Health Annuitant Table for Healthy Annuitants RP-2000 Disabled Lives Mortality Tables for Disabled Annuitants
Expected Remaining Service Lives	3 years for Plan A and 4 years for Plan B
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the board of Trustees.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected return, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.8% and an adjustment for the effect of rebalancing / diversification. The resulting expected long-term rate of return is 8.3% for the year ended June 30, 2014.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.75%
Public fixed income	15%	0.83%
Alternatives	<u>35%</u>	<u>1.92%</u>
Totals	100%	5.50%
Inflation		2.80%
Expected Arithmetic Nominal Rate		8.30%

TOWN OF ST. JOSEPH, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 7 - Pension Plan - Municipal Employees' Retirement System (cont.)

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by the PRSAC, taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to changes in the discount has been determined by measuring net pension liability at a discount rate that is one percentage point lower and one percentage point higher than the current rate. The results are presented as follows:

	1% Decrease	Current	1% Increase
	<u>6.75%</u>	<u>7.75%</u>	<u>8.75%</u>
Net Pension Liability	\$ 50,757	\$ 34,700	\$ 20,988

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

Payables to the Pension Plan: At June 30, 2015, the Town had total payables of \$956 (\$362 for governmental activities and \$594 for business-type activities) to the System for the June, 2015 employee and employer legally required contributions.

Note 8 - Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2015.

Balance beginning of year	\$ 366,214
Additions	-
Retirements	<u>(7,114)</u>
Balance end of year	<u><u>359,100</u></u>
Amounts due within one year	<u><u>\$ 7,348</u></u>

Bonds payable at June 30, 2015, is comprised of the following issue:

Business-type Activities: Utilities Enterprise Fund

Revenue Bonds:

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

\$ 359,100

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Long-Term Debt (cont.)

Maturities of long-term obligations of the Town including interest of \$189,329 are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2016	\$ 7,348	\$ 11,839	\$ 19,187
2017	7,964	11,223	19,187
2018	8,341	10,846	19,187
2019	8,410	10,777	19,187
2020	8,687	10,500	19,187
2021-2025	48,928	47,007	95,935
2026-2030	57,373	38,562	95,935
2031-2035	67,305	28,630	95,935
2036-2040	78,987	16,948	95,935
2041-2044	65,757	2,997	68,754
	<u>\$ 359,100</u>	<u>\$ 189,329</u>	<u>\$ 548,429</u>

Note 9 - Intergovernmental Agreement - Gas Transmission and Distribution Operations

The Town of St. Joseph, Louisiana owns jointly with the Town of Newellton, Louisiana a gas pipeline, which transports natural gas to the Towns. The jointly owned line is operated independently of the Towns. The carrying value of the investment is recorded on the equity method. The annual net income is added to the investment and cash withdrawals, and net losses are deducted from the investment value. A summary of the statement of net position of the Towns of Newellton and St. Joseph, Louisiana Jointly Owned Gas Line Operations and Maintenance Fund (Joint Line) as of June 30, 2015, is as follows:

Assets	
Cash	\$ 128,291
Accounts receivable	24,668
Total Assets	<u>152,959</u>
Liabilities	
Accounts payable	30,620
Customer deposits	163
Total Liabilities	<u>30,783</u>
Net Position - Unrestricted	<u>\$ 122,176</u>

The Joint Line's net position increased \$208,639 in the fiscal 2015. \$99,078 was from the results of operations and interest income. \$109,560 of the increase was from equal contributions from the Town of St. Joseph and the Town of Newellton. The Joint Line issues a separate financial statement that can be obtained by contacting the Town of St. Joseph. The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position are included in this report as Schedules 8 and 9.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 10 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expense of \$196,854 as of June 30, 2015, are comprised of the following:

	<u>General Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Vendor payable	\$ 14,812	\$ 70,813	\$ 85,625
Construction payable	-	72,900	72,900
IRS payable - penalties and interest	24,531	13,798	38,329
Total	<u>\$ 39,343</u>	<u>\$ 157,511</u>	<u>\$ 196,854</u>

Note 11 - Related Party Transactions

The Town purchases its natural gas from the Towns of Newellton and St. Joseph Jointly Owned Gas Operations and Maintenance Fund (Joint Line) of which the Town is a fifty percent owner. During the current year, the Town made \$188,358 of gas purchases and owed the Joint Line \$21,119 at June 30, 2015. Also, the Town paid \$23,210 of bills for the Joint Line that had not been repaid at June 30, 2015.

Note 12 - Risk Financing Activities

The Town of St. Joseph is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee; and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy. Claims resulting from these risks have historically not exceeded insurance coverage.

Note 13 - Changes in Accounting Principles and Restatement

The government-wide financial statements include prior period adjustments decreasing net position, related to the implementation of GASB 68 and GASB 71. The implementation of these statements had the following effects:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position, June 30, 2014	\$ 554,230	\$ 1,957,911
Recognition of net pension liability	(29,385)	(22,325)
Restated net position, June 30, 2014	<u>\$ 524,845</u>	<u>\$ 1,935,586</u>

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 14 - New GASB Standards

In fiscal year 2015 the Town adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

Statement No. 68, Accounting and Financial Reporting for Pensions - and Amendment of GASB Statement No. 27 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. This Statement establishes standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to the actuarial present value, and attribute that present value to periods of employee service.

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The adoption of Statements No. 68 and 71 has no impact on the Town's governmental fund financial statements, which continue to report expenditures in the amount of the actuarially determined contributions, as required by State statute. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the Town's fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statements. Net position as of July 1, 2014 was decreased by \$51,710 reflecting the cumulative retrospective effect of adoption. Refer to Note 7 for more information regarding the Town's pensions.

Note 15 - Contingencies

The Town is a defendant in various lawsuits. Management and the Town's legal counsel believe that the probable outcome of these lawsuits will not materially affect the Town's financial position.

As of June 30, 2015, the Town has accrued a total of \$54,195, \$32,002 in the general fund and \$22,193 in the utility fund for outstanding taxes, penalties and interest payable to the Internal Revenue Service. The Town filed some of its payroll tax returns and paid the tax thereon late. This will result in penalties and interest being charged on these late filings and remittances. Included in the \$54,195 payable to the IRS, the Town has \$38,329 recorded for penalties and interest which consists of \$11,329 in actual amounts due plus an additional estimate of \$27,000 for unfiled payroll tax reports in the current financial statements. The Internal Revenue Service's calculation of the penalties and interest may differ from the amounts the Town estimated, but the Town does not expect the difference, if any, to be material to the financial statements.

TOWN OF ST. JOSEPH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 16 - Subsequent Events

The Town is working with the Governor's office and other State agencies to acquire funding for renovating the Town's water system. In conjunction with these efforts, the Town was awarded several grants totaling approximately \$8.3 million for various water system projects. Receipt of this funding is contingent on the Town being removed from the Legislative Auditor's audit noncompliance list.

In February 2016, the Town signed a contract in the amount of \$379,533 for renovations to the Town's elevated water tank. The construction costs of the project will be financed through a federal community development block grant. This grant is included in the water system grant awards discussed in the previous paragraph.

The State's Fiscal Review committee held a hearing on April 29, 2016 and as a result of that hearing, the committee recommended the attorney general to file a legal action in court for the court to appoint a fiscal administrator for the Town. As of the date of this report, the court hearing has not been held.

On April 27, 2016, the State of Louisiana's Department of Health and Hospitals (DHH) issued administrative order No. C-16-107-028-ETT in which the Town was cited for several violations in regards to the Town's water system. The administrative order also details what remedial actions the Town must take to comply with all applicable rules, regulations and standards and the time frame in which the Town has to comply before the Town is assessed penalties for noncompliance. A copy of the administrative order may be obtained from the Town or from the State of Louisiana, Department of Health and Hospitals, Office of Public Health at www.dhh.la.gov.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original & Final Budget	Actual Amounts	Variance Positive (Negative)
Budgetary Fund Balances, Beginning Resources (inflows)	\$ 161,476	\$ 161,476	\$ -
Local sources			
Taxes			
Ad valorem	36,884	37,237	353
Sales and use	105,224	117,328	12,104
Charges for services	-	115,883	115,883
Licenses, permits and commissions for services	155,954	108,742	(47,212)
Intergovernmental revenues	74,274	70,066	(4,208)
Fines and forfeitures	-	3,767	3,767
Use of money and property	-	18,501	18,501
Miscellaneous revenues	27,683	20,375	(7,308)
Amounts available for appropriations	<u>561,495</u>	<u>653,375</u>	<u>91,880</u>
Charges to appropriations (outflows)			
Current:			
General and administrative	185,252	189,026	(3,774)
Public safety	115,324	131,343	(16,019)
Public works	91,918	112,641	(20,723)
Culture & recreation	-	5,994	(5,994)
Capital outlay	-	47,008	(47,008)
Total charges to appropriations	<u>392,494</u>	<u>486,012</u>	<u>(93,518)</u>
Budgetary Fund Balances, Ending	<u>\$ 169,001</u>	<u>\$ 167,363</u>	<u>\$ (1,638)</u>

TOWN OF ST. JOSEPH
 ST. JOSEPH, LOUISIANA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2015

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

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

NOTE B. Excess of Actual Expenditures over Budgeted Appropriations The following individual fund had expenditures over budgeted expenditures for the year ended June 30, 2015:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 392,494	\$ 486,012	\$ (93,518)

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

Note C. Budget to GAAP Reconciliation - Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures.

Sources/inflows or resources:

Actual amounts (budgetary basis) "Amounts available for appropriation" from the Budgetary Comparison Schedule	\$ 653,375
---	------------

The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(161,476)</u>
--	------------------

Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>491,899</u>
--	----------------

Uses/outflows of resources:

Actual amounts (budgetary basis) "Total charges to appropriation" from the Budgetary Comparison Schedule	<u>486,012</u>
--	----------------

Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 486,012</u>
--	-------------------

TOWN OF ST. JOSEPH
 ST. JOSEPH, LOUISIANA
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 JUNE 30, 2015

Employer's proportion of the net pension liability	0.073909%
Employer's proportionate share of the net pension liability	\$ 34,700
Employer's covered payroll	46,882
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	74.0%
Plan fiduciary net position as a percentage of the total pension liability	76.94%

Notes:

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

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

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2015

Contractually required contribution	\$ 4,867
Contributions in relation to contractually required contributions	4,867
Contribution deficiency (excess)	-
Employer's covered payroll	48,156
Contributions as a percentage of covered employee payroll	10.1%

Notes:

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

SUPPLEMENTARY INFORMATION

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	<u>Special Revenue Funds</u>		<u>Total Non-major Governmental Funds</u>
	<u>Downtown Revitalization</u>	<u>Lake Bruin</u>	
Assets			
Cash and cash equivalents	\$ 2,063	\$ 5,161	\$ 7,224
Interfund receivable	-	12,931	12,931
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,063</u>	<u>\$ 18,092</u>	<u>\$ 20,155</u>
Fund Balances			
Assigned	<u>2,063</u>	<u>18,092</u>	<u>20,155</u>
Total Fund Balances	<u>\$ 2,063</u>	<u>\$ 18,092</u>	<u>\$ 20,155</u>

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds		Total Non-major Governmental Funds
	Downtown Revitalization	Lake Bruin	
Revenues			
Use of money and property	\$ 200	\$ -	\$ 200
Total Revenues	<u>200</u>	<u>-</u>	<u>200</u>
Expenditures			
Current:			
General and administrative	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	200	-	200
Fund Balance, beginning of year	<u>1,863</u>	<u>18,092</u>	<u>19,955</u>
Fund Balance, end of year	<u><u>\$ 2,063</u></u>	<u><u>\$ 18,092</u></u>	<u><u>\$ 20,155</u></u>

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO ALDERMEN
FOR THE YEAR ENDED JUNE 30, 2015

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

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2015

Edward Brown, Mayor

Salary	\$27,000
Benefits - Retirement	2,565
Benefits - Social Security and Medicare	1,982
Reimbursements	3,083
Travel	<u>15,105</u>
Total	<u>\$49,735</u>

OTHER INFORMATION

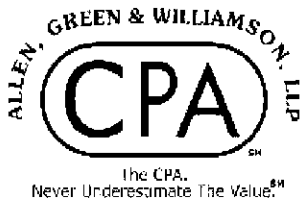
TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA JOINTLY
OWNED GAS LINE OPERATIONS AND MAINTENANCE FUND
STATEMENT OF NET POSITION
JUNE 30, 2015

Assets	
Cash and cash equivalents	\$ 128,291
Receivables, net	<u>24,668</u>
Total Assets	<u>152,959</u>
Liabilities	
Accounts payable and accrued expenses	30,620
Customer deposits	<u>163</u>
Total Liabilities	<u>30,783</u>
Net Position	
Unrestricted	<u>122,176</u>
Total Net Position	<u>\$ 122,176</u>

TOWN OF ST. JOSEPH
ST. JOSEPH, LOUISIANA
TOWNS OF NEWELLTON AND ST. JOSEPH, LOUISIANA JOINTLY
OWNED GAS LINE OPERATIONS AND MAINTENANCE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Operating Revenues	
Charges for services	\$ 408,284
Total Revenues	<u>408,284</u>
Operating Expenses	
Gas	245,691
Salaries and wages	24,000
Payroll taxes	1,836
Professional fees	30,334
Repairs and maintenance	2,433
Bad debt expense	235
Other	4,745
Total Expenses	<u>309,274</u>
Operating income	99,010
Non-operating income and expenses	
Interest income	<u>68</u>
Income (Loss) Before Contributions	99,078
Contributions from partners	<u>109,560</u>
Change in Net Position	208,638
Net Position- beginning	<u>(86,462)</u>
Net Position - ending	<u><u>\$ 122,176</u></u>

OTHER REPORTS



ALLEN, GREEN & WILLIAMSON, LLP

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Principal: Cindy Thomason, CPA

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

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

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

Independent Auditor's Report

The Honorable Mayor Edward Brown
And the Board of Alderman
Town of St. Joseph

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of St. Joseph as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 13, 2016. Our report disclaims an opinion on such financial statements because of the Town not maintaining accounting records and management's inability to provide documentation necessary to support an opinion on the financial statements as a whole.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-007 and 2015-010 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2015-008 and 2015-009 to be significant deficiencies.

Compliance and Other Matters

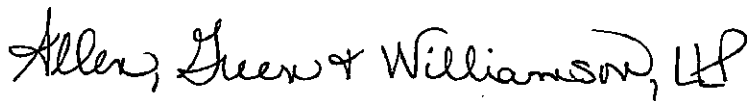
In connection with our engagement to audit the financial statements of the Town, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-008, 2015-009 and 2015-010. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

The Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Corrective Action Plan for Current Year Audit Findings. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
May 13, 2016

**Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015**

Part I. Summary of Audit's Results

Financial Statement Audit

- i. The type of audit report issued was disclaimer of opinion.
- ii. There were ten significant deficiencies required to be disclosed by *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Eight significant deficiencies were considered to be material weaknesses.
- iii. There were eight instances of noncompliance considered material, as defined by the *Government Auditing Standards*, to the financial statement.

Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015

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

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

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

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

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

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

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

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

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

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

**Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015**

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

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

Possible asserted effect (cause and effect):

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

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

Recommendations to prevent future occurrences: Written policies and procedures need to be developed and implemented to ensure an effective system of internal controls over financial reporting including adequately addressing the segregation of the accounting duties. The accounting adjustments need to be posted to the Town's financial records. The accounting records need to be reviewed and corrected timely. The accounts receivable and subsidiary ledgers need to be reconciled to the general ledger monthly and appropriate adjustments made and documented. Accurate financial statements and budget-to-actual comparisons need to be provided to the Aldermen monthly for them to effectively exercise their fiduciary responsibilities.

View of Responsible Official: We recognize the Auditor's assertion that a lack of separation of duties within the financial reporting process could delay the detection of errors. However, please note that the Town has only two full-time employees (the Mayor and the Town Clerk) who were available to carry out financial reporting. To address this problem the Town has contracted with a Certified Public Accountant to help provide financial oversight as well as improve separation of duties where appropriate. While the Mayor reconciles bank accounts, he does not record daily transactions into the accounting system. Instead, the Clerk records these transactions.

The Town's written policy and procedures are provided to employees through ordinances and resolutions as well as individual policy directives. I agree that they should be located in one binder so that they are easily accessible to employees.

Further, the CPA is a contractor/employee and his records are an extension of the town general ledger accounting system. The CPA compiles the financial statements and make accounting adjustments where required. So, we consider the town subsidiary and general ledgers, the CPA's adjusted financial statements one extended document and disagree with the notion that the audit is performed on the Town's ledgers instead of the CPA's records.

**Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015**

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

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

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

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

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

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

The Board did not adopt a budget by resolution or ordinance for the Utility fund for the year-ended June 30, 2015.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

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

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

View of Responsible Official: I agree that the Town should comply with the Local Government Budget Act and the Town CPA shall ensure compliance for both the General Fund and the Enterprise Fund. Detailed budgets shall be presented to the Board of Aldermen for both Funds, monthly.

Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015

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

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

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

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

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

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

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

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

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

- The Town did not record credit card charges to the appropriate fund and function. \$8,594 of travel and other expenses were all charged to the Utility fund as the gas department’s auto insurance expense, which was later allocated to different departments as auto insurance. The remaining charges were recorded as general fund – general administration, when some of the expenses incurred were for the general fund - police department and Utility fund - water department.

**Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015**

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

- The Town paid \$297 in interest and late fees for the year-ended June 30, 2015 which the auditors considered not necessary and reasonable for proper administration.

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

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

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

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

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

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

Possible asserted effect (cause and effect):

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

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

**Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015**

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

Considering that in many cases the Mayor’s monthly written expense reports do not include all the supporting receipts and credit card statements as attachments, it is likely very difficult or impossible for the finance committee to effectively review and approve the Mayor’s monthly expense reports.

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

View of Responsible Official: We agree with the Auditor’s assertions although they did not provide work papers covering all of the above for our review and acknowledgment.

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

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

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

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

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

- There were a total of ten employees tested in our sample. None of the employees’ approved/agreed upon rate of pay was maintained in their personnel file. Of the ten tested, seven employees did not have a Form I-9 in their personnel file and one had an incomplete I-9. Three employees did not have a W-4 in the personnel file. One employee’s file could not be located.
- Eight timecards had differences noted in the amount calculated per the timecard and the amount paid. In one instance the time clock did not reduce the time worked by the time taken for lunch.
- Ten timecards were not signed by the supervisor. Of the ten timecards without the supervisor’s approval, eight timecards included overtime. One timecard was not signed by the employee.
- One paycheck did not display the hours worked in order to confirm the time worked agrees with the time paid.
- One employee is paid \$900 per month for meter readings. This extra money is paid as a contract worker and not as an employee. The Town is required to withhold income and social security taxes and to pay social security on wages of an employee.

**Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015**

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

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

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

Possible asserted effect (cause and effect):

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

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

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

View of Responsible Official: The Town will develop written policies and procedures for personnel files and payroll disbursements in accordance with best practices recommended by the LLA.

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

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

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

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

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

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

**Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015**

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

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

View of Responsible Official: Currently, the IRS requires all payments for payroll withholdings to be posted online using the internet and we did so, because all such payments are current. Regarding the tax penalties, the Town has begun work to request that the IRS abate the penalties, and the Town’s CPA and Town Attorney will assist with this process. Periodically, we will request the IRS provide us with all tax returns outstanding, if any.

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

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

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

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

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

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: The Town may not be in compliance with grant agreements.

Recommendations to prevent future occurrences: Written policies and procedures need to be developed and implemented to ensure an effective system of internal controls over grant and grant cash management. The grant agreement, requests for reimbursements and documentation supporting grant expenditures should be filed together for appropriate record retention.

View of Responsible Official: Requests for Reimbursement are reviewed and approved by the state agency, which is an added control to ensure adequate supporting documentation for the reimbursement amount requested.

Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015

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

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

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

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

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

Possible asserted effect (cause and effect):

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

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

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

View of Responsible Official: The Town does have written policies and procedures for dealing with account adjustment and disconnections, and the Mayor reconciles the accounts receivable subsidiary ledger (CUSI billing system) to the general ledger monthly. We were unaware that the fee accountant made adjustments to the customer accounts receivable but were aware that he adjusted the allowance for bad or doubtful accounts annually. As the Auditor recommended, the Town always make efforts to collect delinquent accounts, specifically those with large balances due. In some instances, the Town has been prevented from collecting delinquent balances by court rulings, however the Town will continue with efforts to collect funds due to the Town as required. The automated billing system is designed to allow a delinquent payment penalty on a onetime basis for the amount due each month -- this penalty is not carried forward nor compounded in any way. Again, the Mayor makes the transfer from the CUSI subsidiary ledger to the accounting system general ledger. He reconciles the amounts transferred from one system to the other to ensure the transactions are completely transferred and accurately recorded in the appropriate accounts.

**Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015**

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

The clerk mails out the bills to those customers whose bills appear to be accurate, and requests a reread of meters for those bills that appear to be unusually high. All billing transactions are batch processed and transferred from the billing system to the QuickBooks general ledger accounting system. The Mayor reconciles transactions from the Continental billing system to the general ledger accounting system each month. Town personnel shall ensure all utility services are disconnected by the 25th of each month for nonpayment. Customers are responsible for notifying town personnel when they move from the location where they are responsible for the utility account. Otherwise, utility charges may continue until the clerk receives notification.

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

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

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

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

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

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

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

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

**Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015**

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

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

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

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

View of Responsible Official: We recognize that state law requires that the minutes, ordinances, resolutions, budgets, and proceedings of the Board of Aldermen must be furnished to the local journal within 20 days of the proceedings. This requirement will be reviewed with the Town Clerk.

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

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

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

Condition found: The Town’s audit report for the fiscal year ending June 30, 2015 was not completed within the six month deadline as per R.S. 24:513 A (5)(a)(i).

Possible asserted effect (cause and effect):

Cause: The Town did not engage the auditor until the seventh month following year-end.

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

Recommendations to prevent future occurrences: The Town should engage their auditor around year-end in order to allow ample time to complete the audit within six months of year-end.

View of Responsible Official: We agree that state law requires the completion of the annual audit within six months of the end of the Town’s fiscal year, or by December 31st. The Town experienced an unusual level of difficulty in engaging an audit firm for the 2015 audit. Approximately 45 letters were sent to qualified firms in an attempt to begin the audit process. The 2015 audit was also much more extensive than the audits done in prior years, which required additional time.

Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015

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

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

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

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

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

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

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

Mayor Brown May Have Violated State Law While Contracting for Services

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

Mayor Brown Received Monies He Was Not Entitled to Receive

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

Mayor Brown’s Response

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

Possible asserted effect (cause and effect):

Cause: Written policies and procedures are inadequate or nonexistent for effective internal control over financial reporting.

Effect: The Town may be in violation of state law.

Recommendations to prevent future occurrences: The Town should work diligently to address the issues noted in that report. Better documentation is needed to support certain expenditures, better record keeping procedures need to be in place, policies need to be adopted, oversight by the finance committee needs to be strengthened, and a different method of travel reimbursement needs to be established so that the expenditures are fully documented and are less subject to question.

**Town of St. Joseph
Schedule of Findings
For the Year Ended June 30, 2015**

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

View of Responsible Official: The LLA investigative report highlights work performed for the town by Bobby Conner (Cousin), when property damages caused by Hurricane Gustav occurred during the latter part of 2008. The Federal Emergency Management Agency (FEMA) started assessing the damages in 2009 and prepared a list showing areas throughout the town where cleanup would be required. They also compiled a list of areas where flooding occurred and ditch cleaning would be necessary, and this work continued into 2010. The FEMA representative assigned to help St. Joseph met with me and asked that I locate someone with trucks and equipment that could load the debris and haul it away. When I asked Mr. Conner if he could do the work, he replied that he could. The investigative report implies that I paid Mr. Conner for work that he did not perform when in fact Mr. Conner did the cleanup work that FEMA authorized. Prior to payment, FEMA inspected the cleanup work performed and approved reimbursement to the Town for the work performed. Please note that instead of hauling the debris to the Parish Landfill where it would cost the town more, Mr. Conner hauled the debris to his personal property in the rural area of the Parish and burned it. Mr. Conner performed other emergency work for the town and he did so on several occasions because he was the only person immediately available and capable of doing the jobs.

The LLA concludes I received reimbursements for business travel expenses for which I did not incur or not entitled to receive. The Board of Aldermen reviewed and approved all business travel expense reports and their approval shows I was entitled to receive reimbursement. Perhaps the travel expense reports did not meet the supporting documentation standards set by the LLA. Still, I incurred the listed expenses for business travel and the town reimbursed me for such expenses.

Also, the Auditor reports that I netted out travel advances against business travel expenses the town owed me. However, to give a more accurate picture of what actually happened he should have started the reconciliation in 2007 instead of 2011. By doing so, his reconciliation would show that the town was kept whole between what they owed me and the reimbursements (travel advances) that I received. Properly reconciling this activity would show that the town owed me \$1,512 as of December 31, 2015.

Town of St. Joseph

OTHER INFORMATION

Town of St. Joseph
Summary Schedule of Prior Year Audit Findings
June 30, 2015

14-01 - Inadequate Internal Control over Financial Reporting Finding:

Year of origination: 2013

Finding: We noted that a significant year end journal entry was made to correct beginning account balances. Due to this entry accurate statements during the year could not be produced. Good internal control over financial reporting requires that accounting records contain accurate and complete information which would insure that financial data can be relied upon to monitor the financial statements of the Town.

Corrective action planned: See current year finding 2015-001.

14-02 - Segregation of Duties

Year of origination: Before 2007

Finding: A good system of internal control provides for a proper segregation of the accounting functions. Due to limited personnel the Town does not have the proper segregation of duties over cash receipts and disbursements, accounts receivable, and accounts payable. This lack of separation of duties increases the potential for material misstatements and/or misappropriation of assets to occur and not be detected in a timely manner. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud.

Corrective action planned: See current year finding 2015-001.

14-03 - Personnel Files

Year of origination: 2013

Finding: We noted not all proper supporting documentation was maintained in employee personnel files.

Corrective action planned: See current year finding 2015-004.

14-04 - Failure to Comply with the Local Government Budget Act (LGBA)

Year of origination: 2010

Finding: The LGBA requires budget amendments when total actual expenditures plus projected expenditures for the remainder of the year are exceeding the total budgeted expenditures by 5% or more.

The Town's original general fund budget plus amendments to it produced budget variance that exceeded the 5% allowed by the LGBA.

Corrective action planned: See current year finding 2015-002.

Town of St. Joseph
Summary Schedule of Prior Year Audit Findings
June 30, 2015

14-05 - Payroll Tax Returns Filed and Paid Late

Year of origination: 2012

Finding: The Town did not file and pay their payroll tax returns timely and did not pay and file their Municipal Retirement System (MRS) forms on time.

Corrective action planned: See current year finding 2015-005.

14-06 - Proper Use of Public Funds

Year of origination: 2013

Finding: The Town donated approximately \$3,000 to various charitable or private organizations, such as sports programs, etc. without cooperative endeavor agreements. This appears to be a violation of the state statute that prohibits public bodies from giving taxpayer funds. The Town should consult with its attorney.

Corrective action planned: See current year finding 2015-003.

14-07 - Bid Law

Year of origination: 2013

Finding: The Town failed to bid a project as required by state law.

Corrective action taken: As recommended, the Town's attorney was consulted regarding bid procedures that should be implemented prior to start of each project.

14-08 - Disbursement Documentation

Year of origination: 2013

Finding: The Town needs to put written policies in place regarding the appropriate supporting documentation for disbursements.

(a) During our review of certain credit card purchases we noted four occasions where the credit card slips were not signed by the user. Also during our review we noted that the majority of the credit card purchase slips lacked a description of what was purchased. These primarily related to a local convenience store.

(b) It was also noted that meals that were charged to the Town's credit card were not supported by a receipt. These meals were accounted for on the Mayor's expense report but proper supporting documentation was not attached as noted.

Town of St. Joseph
Summary Schedule of Prior Year Audit Findings
June 30, 2015

(c) The Town has purchase orders (PO) that are used for certain items; however the purchase order system isn't very properly used. The purchase order should have a more detailed description and include the cost when available and then the PO should be matched with the supporting invoice when received.

Corrective action planned: See current year finding 2015-003.

14-09 - Notification- of Public Meetings

Year of origination: 2013

Finding: We noted three Town meetings were held during the fiscal year where the appropriate notice for the meeting was not posted timely. The amount of time between the notice of the meeting being made public and the meeting was not sufficient as outline in state law.

Corrective action taken: The Town reviewed this matter with the Town's attorney as recommended to do all that was needed to comply with the law.

14-10 - Utility Fund Accounting

Year of origination: 2013

Finding: We noted the Town does not have written procedures for accounting for receipts, billing and meter deposits. The Town is also not reconciling the accounting information from the utility billing software to the general ledger. The Town needs to consistently follow its policy of turning off utilities for non-payments.

Corrective action planned: See current year finding 2015-007.

Town of St. Joseph
Corrective Action for Current Year Audit Findings
June 30, 2015

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

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

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

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

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

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

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

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

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

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

Town of St. Joseph
Corrective Action for Current Year Audit Findings
June 30, 2015

auditor's review of the capital asset listing for assets that appear obsolete, management removed \$433,178 in obsolete and nonexistence assets from the capital asset listing.

Corrective action planned: To improve the system of internal controls and separation of duties, the Town has contracted with a Certified Public Accountant (CPA) to assist recording transactions into the general ledger and to become more involved in the review and approval process where appropriate. Since the CPA will be actively involved in recording the daily transaction into the general ledger, the year-end adjustments should be eliminated and the final general ledger and financial statements shall always remain onsite with the town.

Person responsible for corrective action:

Ed Brown, Mayor
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P O Box 217
St. Joseph, LA 71366

Telephone: 318-766-3713
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Anticipated completion date: We plan to complete implement these new procedures by June 30, 2016.

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

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

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

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

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

The Board did not adopt a budget by resolution or ordinance for the Utility fund for the year-ended June 30, 2015.

Corrective action planned: Comply with the Local Governmental Budget Act.

Town of St. Joseph
Corrective Action for Current Year Audit Findings
June 30, 2015

Person responsible for corrective action:

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Anticipated completion date: Fiscal year ending June 30, 2016.

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

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

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

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

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

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

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

Town of St. Joseph
Corrective Action for Current Year Audit Findings
June 30, 2015

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

- The Town did not record credit card charges to the appropriate fund and function. \$8,594 of travel and other expenses were all charged to the Utility fund as the gas department's auto insurance expense, which was later allocated to different departments as auto insurance. The remaining charges were recorded as general fund – general administration, when some of the expenses incurred were for the general fund - police department and Utility fund - water department.
- The Town paid \$297 in interest and late fees for the year-ended June 30, 2015 which the auditors considered not necessary and reasonable for proper administration.

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

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

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

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

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

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

Corrective action planned: We will reemphasize to clerical personnel the importance of maintaining documentation supporting disbursement transactions and ensuring such have adequate approval before filing. We will cancel the town's credit card and all payments shall be made by either check, or bank draft where necessary. Expenditures will be reviewed when necessary with the Town Attorney if there is a doubt regarding whether the expenditure might violate Article VII, Section 14 of the Louisiana Constitution. The Town's CPA shall provide guidance for preparing IRS Form 1099 Miscellaneous Income.

Town of St. Joseph
Corrective Action for Current Year Audit Findings
June 30, 2015

Person responsible for corrective action:

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Telephone: 318-766-3713
Fax: 318-766-3063

Anticipated completion date: Fiscal year ending June 30, 2016.

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

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

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

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

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

- There were a total of ten employees tested in our sample. None of the employees' approved/agreed upon rate of pay was maintained in their personnel file. Of the ten tested, seven employees did not have a Form I-9 in their personnel file and one had an incomplete I-9. Three employees did not have a W-4 in the personnel file. One employee's file could not be located.
- Eight timecards had differences noted in the amount calculated per the timecard and the amount paid. In one instance the time clock did not reduce the time worked by the time taken for lunch.
- Ten timecards were not signed by the supervisor. Of the ten timecards without the supervisor's approval, eight timecards included overtime. One timecard was not signed by the employee.
- One paycheck did not display the hours worked in order to confirm the time worked agrees with the time paid.
- One employee is paid \$900 per month for meter readings. This extra money is paid as a contract worker and not as an employee. The Town is required to withhold income and social security taxes and to pay social security on wages of an employee.

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

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

Corrective action planned: Comply with best practices recommended by the LLA. This action may include the discontinuance of non-employee workers, return to keeping time cards manually instead of those kept by an automated time card machine. Personnel files will be reviewed for completeness. We will keep all written policies and procedures, Resolutions, Ordinances, etc. in a central location. The Ordinance Book will be reviewed for completeness and either reorganized or indexed for easier location of applicable laws. Employees will be required to review the Town's policies and procedures, and sign a sheet to document that they have done so.

Town of St. Joseph
Corrective Action for Current Year Audit Findings
June 30, 2015

Person responsible for corrective action:

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Anticipated completion date: Fiscal year ending June 30, 2016

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

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

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

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

Corrective action planned: Currently, the IRS requires all payments for payroll withholdings to be posted online using the internet and we did so, because all such payments are current. Regarding the tax penalties, the Town has begun work to request that the IRS abate the penalties, and the Town's CPA and Town Attorney will assist with this process. Periodically, we will request the IRS provide us with all tax returns outstanding, if any.

Person responsible for corrective action:

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Anticipated completion date: The Town plans to complete and file all outstanding tax returns by December 31, 2016.

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

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

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

Town of St. Joseph
Corrective Action for Current Year Audit Findings
June 30, 2015

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

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

Corrective action planned: We plan to purchase scanning equipment of quality acceptable by the IRS to maintain copies of supporting documentation covering all town financial transactions. This equipment should help the clerks and other employees maintain copies of records required for the IRS, audit, or other purposes as well as ease or improve the record retention and retrieval process.

Person responsible for corrective action:

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Anticipated completion date: We will purchase scanning equipment and train employees regarding its use by July 1, 2016. Also, we will arrange with the town's information technology company to provide offsite backup for all scanned documents.

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

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

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

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

Town of St. Joseph
Corrective Action for Current Year Audit Findings
June 30, 2015

Corrective action planned: The Town will review existing policies and procedures and supplement same where necessary, and will ensure that utility services are disconnected by the 25th of each month for nonpayment. The Town will review the existing overdue accounts to determine which accounts are suitable for collection activity through the issuance of collection letters and through litigation.

Person responsible for corrective action:

Ed Brown, Mayor
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P O Box 217
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Anticipated completion date: December 31, 2016.

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

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

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

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

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

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

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

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

Town of St. Joseph
Corrective Action for Current Year Audit Findings
June 30, 2015

Corrective action planned: The Town will comply with State law by submitting all matters required to be published in the local journal within the time required by law.

Person responsible for corrective action:

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Anticipated completion date: Month ending April 30, 2016.

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

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

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

The Town's audit report for the fiscal year ending June 30, 2015 was not completed within the six month deadline as per R.S. 24:513 A (5)(a)(i).

Corrective action planned: We plan to engage and audit firm to conduct the audit by June 30th of each year. The financial statements should be compiled and ready for auditing by August 15th of each year and the audit should be complete no later than November 30th each year.

Person responsible for corrective action:

Ed Brown, Mayor Telephone: 318-766-3713
Town of St. Joseph Fax: 318-766-3063
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St. Joseph, LA 71366

Anticipated completion date: We plan to complete and submit our audit report to the LLA no later than November 30th each year.

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

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

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

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

Town of St. Joseph
Corrective Action for Current Year Audit Findings
June 30, 2015

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

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

Mayor Brown May Have Violated State Law While Contracting for Services

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

Mayor Brown Received Monies He Was Not Entitled to Receive

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

Mayor Brown's Response

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

Corrective action planned: My hiring Mr. Bobby Conner to perform work for the Town does not violate State law simply because he is my cousin -- no state law prohibits this. However, because we wish to always give the appearance of transparency, I will seek the advice of the Town's Attorney and the Board of Aldermen regarding whether we should discontinue using Mr. Conner's services even during emergency situations. If this is the case, we probably should discontinue seeking the services of other local vendors since they may not meet the criteria set by LLA best practices or State law. Unfortunately, it is likely that the Town will incur higher expenses as a result of not using Mr. Conner in the future.

I would be the first to admit that my business travel may be extensive but most of the travel required is for out-of-town meetings trying to resolve situations dealing with the much needed town water improvements, seeking grants to improve needed services such as streets, recreation and cultural infrastructure, etc. Town staff always know when I am away from town, and most of the Aldermen know as well. To provide further proof that I am conducting town business when out of town, I may ask agency staff personnel and others to provide a sign-in document stating that I met with them to conduct town business. For example, I can ask our legislative delegation members, agency heads with the Governor's Office of OCD, FPC, DHH, DOTD, etc., to sign a document as proof and support for business travel.

The Board of Aldermen adopted Resolution 16-467 dealing with support documentation for business travel to include mileage for in-town business travel and out-of-town travel. However, we may seek advice from the Louisiana Attorney General or Town's Attorney before implementing this resolution.

In the future, we shall process check payments for business travel expense reimbursements instead of using the method of netting the amount due the town or an employee. Employees shall pay the town within thirty days any amount they owe the town and the town shall do likewise.

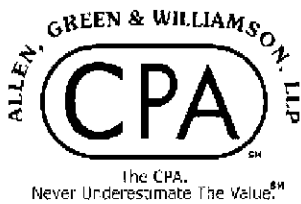
Town of St. Joseph
Corrective Action for Current Year Audit Findings
June 30, 2015

Person responsible for corrective action:

Ed Brown, Mayor
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Anticipated completion date: The month starting July 31, 2016.



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Management Letter

Town of St. Joseph
St. Joseph, Louisiana

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of St. Joseph (the Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, we considered the Town's internal control over financial reporting (internal control) to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving internal control that are presented for your consideration. This letter does not affect our report dated May 13, 2016 on the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town. We will review the status of this comment during our next audit engagement. Our comment and recommendation, which has been discussed with appropriate members of management, is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation. Our comments and management's response are summarized as follows:

2015-M1

Police Citations and Collection of Fines

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

- Nineteen or 79% of the citations issued during the year remain unpaid. One was because the offender being incarcerated. For the remaining eighteen, the court docket, bench warrant or validated deposit slip was requested but the information was not provided.
- Four citations or 17% were listed as paid. For three out of the four, a validated deposit slip could not be located. One citation deposit was shown as deposited in the accounting system on 2/4/15 with a citation date of 3/16/15 with a deposit stamp date of 5/7/15.
- Seven citation numbers could not be located in the general ledger detail and four ticket citation numbers listed in the general ledger were not included in the range of citation number issued.

- Two citations listed violations that were not on the fine schedule. One was included in the ledger as zero and for the other citation, no information was provided on how the fine was determined. One citation in the list provided could not be located.

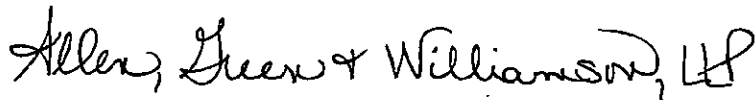
Recommendation: Written policies and procedures should be established to ensure that all citations issued by officers are retained by the Police Department. Tickets that are voided should be properly accounted for and tickets that are dismissed should have proper documentation and approval. The Town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

Management's response: The Mayor has met with the Chief of Police and the Municipal Clerk to develop written policies and procedures to account for traffic citations and fines for other offenses. Policies and procedures dealing with the items mentioned above shall be developed and presented to the Mayor for review and approval.

Our audit procedures are designed primarily to enable us to form opinions on the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of St. Joseph, as of and for year ended June 30, 2015, which collectively comprise the Town's basic financial statements, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

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

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



ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
May 13, 2016