

CITY OF ZACHARY, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

**CITY OF ZACHARY, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2020**

	<u>EXHIBIT</u>	<u>SCHEDULE</u>	<u>PAGE</u>
Independent Auditor's Report	-	-	1-3
Management's Discussion and Analysis	-	-	4-12
Basic Financial Statements	-	-	13
Statement of Net Position	A	-	14
Statement of Activities	B	-	15
Combined Balance Sheet - Governmental Funds	C	-	16
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	D	-	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E	-	18
Statement of Net Position - Proprietary Fund	F	-	19
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	G	-	20
Statement of Cash Flows - Proprietary Fund	H	-	21
Notes to the Financial Statements	-	-	22-78
Required Supplementary Information	-	-	79
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - General Fund	I	-	80
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - Special Revenue Fund	J	-	81
Statement of Revenues, Expenditures, and Changes in Fund Balance - Debt Service Fund	K	-	82
Schedule of Changes in Net OPEB Liability and Related Ratios	L	-	83

**CITY OF ZACHARY, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2020**

	<u>EXHIBIT</u>	<u>SCHEDULE</u>	<u>PAGE</u>
Schedule of City of Zachary, Louisiana's Proportionate Share of the Net Pension Liability	M	-	84
Schedule of City of Zachary, Louisiana's Contributions	N	-	85
Supplementary Information	-	-	86
Non-Major Debt Service Funds	-	-	87
Balance Sheet	-	1	88
Statement of Revenues, Expenditures, and Changes in Fund Balances	-	2	89
Schedule of Revenues and Expenditures - General Fund	-	3	90-97
Schedule of Operating Expenses by Department - Enterprise Fund	-	4	98-100
Component Unit - City Court	-	-	101
Balance Sheet/Statement of Net Position	-	5	102
Statement of Revenues and Expenditures and Changes in Fund Balance/Activities	-	6	103
Schedule of Compensation, Benefits, and Other Payments to Agency Heads	-	7	104
Schedule of Compensation of Board Members	-	8	105
Schedule of Insurance in Force	-	9	106
Performance and Statistical Data	-	-	107
Schedule of Utility Statistics	-	10	108
Other Reports Required by Government Accounting Standards	-	-	109
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	-	11	110-111

**CITY OF ZACHARY, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
TABLE OF CONTENTS
JUNE 30, 2020**

	<u>EXHIBIT</u>	<u>SCHEDULE</u>	<u>PAGE</u>
Schedule of Findings	-	12	112
Management's Corrective Action Plan	-	13	113
Schedule of Prior Findings	-	14	114-115

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The Honorable Mayor David Amrhein
and Members of the Council
City of Zachary, Louisiana

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit (the City Court of Zachary), each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana, as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on pages 80 through 82, the Schedule of Changes in Net OPEB Liability and Related Ratios on page 83, the Schedule of City of Zachary, Louisiana's Proportionate Share of the Net Pension Liability on page 84, and the Schedule of City of Zachary, Louisiana's Contributions on page 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Zachary, Louisiana's basic financial statements. The Non-Major Debt Service Funds –Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance, Schedule of Revenues and Expenditures – General Fund, Schedule of Operating Expenses by Department – Enterprise Fund, Component Unit – City Court – Balance Sheet/Statement of Net Position and Statement of Revenues and Expenditures and Changes in Fund Balance/Activities, Schedule of Compensation, Benefits, and Other Payments to Agency Heads, Schedule of Compensation of Board Members, Schedule of Insurance in Force, and Schedule of Utility Statistics on pages 87 through 108 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

The Non-Major Debt Service Funds –Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance, Schedule of Revenues and Expenditures – General Fund, Schedule of Operating Expenses by Department – Enterprise Fund, Component Unit – City – Balance Sheet/Statement of Net Position and Statement of Revenues and Expenditures and Changes in Fund Balance/Activities, Schedule of Expenditures of Federal Awards, Schedule of Compensation, Benefits, and Other Payments to Agency Heads, and Schedule of Compensation of Board Members are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements are fairly stated in all material respects in relation to the financial statements as a whole.

The Schedule of Insurance In Force and the Schedule of Utility Statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of the City of Zachary'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 solely 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 the effectiveness of the City of Zachary, Louisiana's 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 City of Zachary, Louisiana's internal control over financial reporting and compliance.

Baxley & Associates, LLC

Plaquemine, Louisiana
December 1, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

This section of the City of Zachary, Louisiana's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the twelve months ended June 30, 2020. Please read it in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The City's combined net position as of June 30, 2020 and June 30, 2019 were \$37,237,856 and \$36,769,394 respectively. Net position of our governmental activities were \$20,278,836 and \$19,129,672 respectively while those of our business-type activities were \$16,959,020 and \$17,639,722 respectively.
- The general fund ended the current fiscal year with a \$12,112,183 fund balance of which \$110,014 is non-spendable and zero dollars applies to inter-fund payables. In the prior fiscal year, the general fund ended the year with a \$12,367,989 fund balance of which \$118,107 was non-spendable and zero dollars was reserved for the payment of interfund payables.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents supplemental statements and schedules. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide long-term and short-term information about the City's overall financial status and economic condition.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as water and sewer systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with more detailed schedules providing further insight into the revenue and expenses of the City.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1 Major Features of City's Government and Fund Financial Statements				
	Fund Statements			
	Government-wide Statements	Government Funds	Proprietary Funds	
Scope	Entire City government	The activities of the City that are not proprietary or fiduciary, such as police, fire, and streets	Activities the City operates similar to private businesses: the water, sewer and gas systems	
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expense, and changes in net position • Statement of cash flows 	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when good or services have been received and payment is due during the year or soon thereafter	All revenue and expenses during year, regardless of when cash is received or paid	

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads and utilities infrastructure.

The government-wide financial statements of the City are divided into two categories:

- Government activities – Most of the City's basic services are included here, such as the police, fire, public works, recreation department, and general administration. Sales taxes, property taxes, intergovernmental activities and franchise fees finance most of these activities. Also included in this section is the debt service fund.
- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water, gas and sewer systems are included here.

Fund Financial Statements

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

The City has two kinds of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the government fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page which explains the relationship (or difference) between them.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary fund. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Condensed Statement of Net Position:

	Table A-1	
	City's Net Position	
	Government Activities	Government Activities
	2020	2019
Current and other assets	12,700,176	14,651,503
Capital assets	43,258,700	38,778,563
Total assets	55,958,876	53,430,066
Deferred Outflow: Pension Related	3,949,391	3,683,949
Deferred Outflow: OPEB	5,539,833	1,063,001
Current liabilities	(1,192,341)	247,627
Long term liabilities	44,934,562	37,888,350
Total liabilities	43,742,221	38,135,977
Deferred Inflow: Pension Related	841,329	911,367
Deferred Inflow: OPEB	585,714	0
Net assets:		
Net invested in capital assets	35,060,448	30,583,563
Restricted	8,273,697	5,064,677
Unrestricted	(23,055,309)	(16,518,568)
Total net position	20,278,836	19,129,672

	Table A-1	
	City's Net Position	
	Business-Type Activities	Business-Type Activities
	2020	2019
Current and other assets	6,397,830	6,105,244
Capital assets	29,642,658	29,962,440
Total assets	36,040,488	36,067,684
Deferred Outflow: Pension Related	1,014,177	1,155,098
Current liabilities	5,659,996	4,489,564
Long term liabilities	14,344,863	14,971,405
Total liabilities	20,004,859	19,460,969
Deferred Inflow: Pension Related	90,786	122,091
Net assets:		
Invested in capital assets, net of related debt	18,095,881	17,639,163
Restricted funds	794,148	1,184,468
Unrestricted (deficit)	(1,931,009)	(1,183,909)
Total net position	16,959,020	17,639,722

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Condensed Statements of Activities

The City's total change in net position was \$468,462; \$1,149,164 from governmental activities and (\$680,702) from business-type activities. The chart below only reflects the changes from the financial statement whereas the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances reflects the total change in net position. The City of Zachary continues to experience an overall positive change in net position. The revenues of the City showed approximately 5 ½% growth from the previous year. Most of this increase can be attributed to receipt of CARES Act grant and a full year of the receipt of the dedicated road tax. The City continues to work diligently to provide necessary services for the Public and at the same time provide for the needs of the staff. Changes in Federal GASB laws, less State and Federal grants and growth that requires new capital expenditures will continue to present a challenge for not just the City but for all municipalities in the future. Table A-2 on the next two pages shows the composition of revenues and summarizes the expenses by function or service area.

	Table A-2	
	Changes in City's Net Position	
	Government Activities	Government Activities
	2020	2019
Revenues		
Charges for services	2,005,974	2,000,043
Fines	167,349	164,835
Grants and contributions	2,212,135	1,520,344
General revenues:		
Taxes	14,404,640	13,097,824
Commissions	1,438,833	1,445,540
Licenses and permits	714,749	608,772
Miscellaneous/Interest Income	817,539	487,189
Special item	-	300,000
Non-Employer Contributions	-	-
Total Revenues	21,761,219	19,624,547
Expenses		
General Government	8,757,071	5,409,125
Public Safety	8,145,005	7,624,462
Streets	1,921,161	1,514,067
Sanitation	1,554,577	1,469,457
Debt Service	347,084	376,663
Total Expenses	20,724,898	16,393,774
Transfers/Capital Contributions	112,843	75,000
Increase in net position	1,149,164	3,305,773

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Condensed Statements of Activities (continued)

	Table A-2	
	Changes in City's Net Assets	
	Business-Type Activities	Business-Type Activities
	2020	2019
Revenues		
Charges for services	6,770,867	6,912,461
General revenues:		
Miscellaneous/Interest Income	677,785	1,192,686
Total Revenues	7,448,652	8,105,147
Expenses		
Water	1,351,602	1,274,524
Gas	1,311,377	1,638,466
Sewer	1,195,348	876,049
Gen./Admin./Warehouse/Mech.	2,218,420	2,271,485
Depreciation	1,931,790	1,869,797
Total Expenses	8,008,537	7,930,321
Non-operating Revenues		
(Expenses)	(120,817)	(136,565)
Increase (Decrease) in net assets	(680,702)	38,261

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$14,964,143 consisting of \$12,112,183 in the general fund, (\$5,421,737) in the special revenue fund and \$8,273,697 in the debt service fund. Of the above balances \$110,014 is restricted in the general fund, and \$8,273,697 in the debt service fund. The special revenue fund and debt service fund restrictions are related to the bonds issued for street projects. These projects have been substantially completed and the City has another \$5,000,000 that it will be receiving from City Parish as per a CEA agreement for Mount Pleasant Road. The City received approximately \$743,000 in CARES Act grants, and will receive approximately \$736,000 additional grants next fiscal year. Also, the street bonds were refinanced in April 2020, which will save approximately \$537,000 over the remaining term of the bonds.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Council may approve amendments to the City's budget. These budget amendments result from items involving accounting changes, increased costs and revenues to the City. The City made budgetary amendments for this fiscal year. The changes to the City's budget affected both revenues and expenses. The Administration continues to budget conservatively as a result of the uncertainty in the economy. The City continues to experience increases in retirement. Health Insurance costs will increase in the upcoming year by approximately 5%.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

CAPITAL ASSETS

At the end of June 2020, the City had invested \$71,901,358 in a broad range of capital assets, including police and fire equipment, streets, buildings, vehicles, and water and sewer systems. See Table A-3. This amount represents a net increase (including additions and deductions) of \$3,160,355 over the previous year. The City has pursued an aggressive capital rehabilitation in the infrastructure of the City over the last few years. Bond money of approximately \$15,000,000 was acquired at 0.95% interest from DEQ to repair and expand the sewer system. The City has completed these projects related to this funding, and is anticipating the delivery of a new sewer pump truck in the Fall of 2020. Upgrades and expansions have occurred in both gas and water as well. The expansion in gas has given the City the capacity to service any growth in the City for the next 20 years. 2019 Road rehabilitation projects were completed during the year. The City completed the construction of a new 500,000-gallon water tower. This brought the City's storage capacity to 1,500,000 gallons. A new road tax passed in the Parish which resulted in the City receiving approximately \$1.75 million for road improvements. The City began receiving its share of the new road tax passed in 2019. The City expects approximately \$3.5 million annually for road improvements.

Table A-3 City's Capital Assets				
	Government Activities		Business Activities	
	2020	2019	2020	2019
Land	3,009,400	2,506,635	180,745	180,745
Construction-in-progress	309,305	245,345	113,344	1,292,649
Building/Infrastructure	7,719,866	5,835,715	53,424,012	50,695,201
Road Infrastructure	33,888,491	30,782,280	-	-
Equipment	14,363,204	13,488,346	2,558,221	2,507,618
Less: Accumulated Depreciation	(16,031,563)	(14,079,758)	(26,633,664)	(24,713,773)
Total	43,258,703	38,778,563	29,642,658	29,962,440

The City each year maintains a program to facilitate the Fire and Police Department with their capital needs to assure the community of maintaining the very best public safety. Vehicles, bullet proof vests and other equipment have been purchased for the Police. Fire and police radios were replaced with new technology during the fiscal year. Each year both departments continue to plan for the future so as not to be unprepared for the growth of the community. Training is another vital part of both departments. The Utility Department has received vehicles and necessary equipment in order to perform their vital duties to ensure safety with water, gas and sewer. Construction of a new fire station is nearly complete and has resulted in the City receiving a more favorable fire rating. The Fire Department received a Class 1 rating from the Property Insurance Association of Louisiana.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

New subdivisions have been completed, have started construction or have been proposed. The City has also experienced an increase in business establishments, including more upscale restaurants than have built in the past. Administration is cautiously optimistic that this trend will continue but also realize that a very cautious approach to budgeting needs to occur. There are still signs that point toward a less optimistic next few years.

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

The state of the economy in Zachary continues to remain strong despite projections of a downturn related to the COVID-19 pandemic. The City attributes this to our strong sales tax base, and more local shopping. However, the City does expect and plan for changes over the coming months related to the pandemic, and will continue to monitor the economic outlook.

Information received in meetings with State agencies points toward a greater funding of the retirement systems for the City Retirement Funds: Police, Fire and Municipal. The high indicators would have the City be responsible for twice the amount that it is currently responsible, resulting in approximately \$1,000,000 more in retirement expenses. Regardless of the percentage increase, the City recognizes that an increase is coming. Another economic plus for the City is the beginning of the Comite River Diversion Canal Project. This will give the City the opportunity to address the flooding concerns of the community. These unknowns will all be factors in the next year's budget considerations.

In the past, Administration has always been conservative in the budgeting process and that trend will continue into the new year. Capital expenditures will be kept to a minimum but never to a point that departments will be negatively impacted. As the Administration continues to monitor the revenues of the City, especially in the light of better than expected growth, decisions will be proposed to increase capital where feasible.

As stated, expenditures for liability insurance and retirement continue to rise but the City continues to implement plans to keep these costs within reason and still provide for employees. The Administration, in conjunction with the Council, continues to handle the delicate balance of revenues vs. expenditures and services to the public with availability in an effort to ensure that the positive net position of the City continues.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with an overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions or requests for additional information should be directed to the Chief Financial Officer, P.O. Box 310, Zachary, LA 70791, (225) 654-0287.

BASIC FINANCIAL STATEMENTS

CITY OF ZACHARY, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 8,668,363	\$ 2,339,060	\$ 11,007,423	\$ 157,385
Account receivable	3,921,799	1,111,340	5,033,139	-
Intergovernmental receivable	-	110,958	110,958	-
Other receivables	-	6,965	6,965	-
Prepaid expenses	110,014	57,078	167,092	-
Inventory	-	204,280	204,280	-
Restricted Assets:				
Customer deposits:				
Cash and cash equivalents	-	585,001	585,001	-
Investments	-	500,000	500,000	-
Utility revenue bond:				
Cash and cash equivalents	-	1,483,148	1,483,148	-
Capital assets:				
Land and construction in progress	3,318,705	294,089	3,612,794	-
Depreciable capital assets, net of depreciation	39,939,995	29,348,569	69,288,564	10,483
TOTAL ASSETS	55,958,876	36,040,488	91,999,364	167,868
DEFERRED OUTFLOWS OF RESOURCES				
OPEB	5,539,833	-	5,539,833	-
Pension related	3,949,391	1,014,177	4,963,568	124,611
LIABILITIES				
Accounts payable	469,050	255,618	724,668	-
Other payables	171,440	627,601	799,041	-
Interfund balances	(2,904,457)	2,904,457	-	-
Customer meter deposits	-	1,068,220	1,068,220	-
Long-term debt:				
Other Post employment benefits	23,542,897	-	23,542,897	-
Due within one year	1,071,626	804,100	1,875,726	-
Due beyond one year	8,366,841	10,833,307	19,200,148	-
Net pension liability	13,024,824	3,511,556	16,536,380	307,474
TOTAL LIABILITIES	43,742,221	20,004,859	63,747,080	307,474
DEFERRED INFLOWS OF RESOURCES				
OPEB	585,714	-	585,714	-
Pension related	841,329	90,786	932,115	72,574
NET POSITION				
Net invested in capital assets	35,060,448	18,095,881	53,156,329	10,483
Restricted	8,273,697	794,148	9,067,845	-
Unrestricted	(23,055,309)	(1,931,009)	(24,986,318)	(98,052)
TOTAL NET POSITION	\$ 20,278,836	\$ 16,959,020	\$ 37,237,856	\$ (87,569)

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues		Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:							
Governmental Activities:							
General Government	\$ 8,757,071	\$ 65,593	\$ 985,509	\$ (7,705,969)	\$ -	\$ (7,705,969)	\$ -
Streets	1,921,161	1,883,161	614,840	576,840	-	576,840	-
Public Safety	8,145,005	-	611,786	(7,533,219)	-	(7,533,219)	-
Sanitation	1,554,577	57,220	-	(1,497,357)	-	(1,497,357)	-
Debt Service	347,084	-	-	(347,084)	-	(347,084)	-
Total Governmental Activities	20,724,898	2,005,974	2,212,135	(16,506,789)	-	(16,506,789)	-
Business-type Activities:							
Enterprise - Utilities	8,137,025	7,024,832	369,894	-	(742,299)	(742,299)	-
Total Business-type Activities	8,137,025	7,024,832	369,894	-	(742,299)	(742,299)	-
Total Primary Government	28,861,923	9,030,806	2,582,029	(16,506,789)	(742,299)	(17,249,088)	-
Component Units							
Judicial services	643,707	714,097	-	-	-	-	70,390
Total Component Units	643,707	714,097	-	-	-	-	70,390
General Revenues:							
Taxes				14,404,640	53,926	14,458,566	-
Fines				167,349	-	167,349	-
Commissions				1,438,833	-	1,438,833	-
License and permits				714,749	-	714,749	-
Interest income				1,884	7,671	9,555	-
Others				815,655	-	815,655	-
Special item				-	-	-	-
Transfers				112,843	-	112,843	(112,843)
Total general revenues and transfers				17,655,953	61,597	17,717,550	(112,843)
Change in net position				1,149,164	(680,702)	468,462	(42,453)
NET POSITION - Beginning				19,129,672	17,639,722	36,769,394	(45,116)
NET POSITION - Ending				\$ 20,278,836	\$ 16,959,020	\$ 37,237,856	\$ (87,569)

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Sales Tax Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,909,101	\$ -	\$ 2,992,876	\$ 766,386	\$ 8,668,363
Sales tax receivable	1,515,342	-	630,602	23,991	2,169,935
Other receivables	1,751,864	-	-	-	1,751,864
Prepaid expenses	110,014	-	-	-	110,014
Accrued interest receivable	-	-	-	-	-
Due from other funds	5,823,796	500,000	3,191,397	668,445	10,183,638
TOTAL ASSETS	\$ 14,110,117	\$ 500,000	\$ 6,814,875	\$ 1,458,822	\$ 22,883,814
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 463,052	\$ 5,998	\$ -	\$ -	\$ 469,050
Other payables	115,271	56,169	-	-	171,440
Due to other funds	1,419,611	5,859,570	-	-	7,279,181
Total liabilities	1,997,934	5,921,737	-	-	7,919,671
Fund balance:					
Nonspendable	110,014	-	-	-	110,014
Restricted	-	-	6,814,875	1,458,822	8,273,697
Committed	-	(5,421,737)	-	-	(5,421,737)
Unassigned	12,002,169	-	-	-	12,002,169
Total fund balances	12,112,183	(5,421,737)	6,814,875	1,458,822	14,964,143
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,110,117	\$ 500,000	\$ 6,814,875	\$ 1,458,822	

Reconciliation of the Government Fund Balance Sheet to the Statement of Net Position:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Cost of capital assets at June 30, 2020	\$ 59,290,264	
Less: accumulated depreciation at June 30, 2020	(16,031,564)	43,258,700

Deferred outflow - Pension	\$ 3,949,391	
Deferred outflow - OPEB	5,539,833	9,489,224

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities:

Note payable	\$ (693,251)	
Bond Payable	(7,505,000)	
OPEB Liability	(23,542,897)	
Pension liability	(13,024,824)	
Compensated absences	(1,240,215)	
		(46,006,187)

Deferred inflow - Pension	\$ (841,329)	
Deferred inflow - OPEB	(585,714)	(1,427,043)

Net position of governmental activities **\$ 20,278,837**

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 10,364,865	\$ -	\$ 3,517,377	\$ 154,184	\$ 14,036,426
Licenses and permits	714,749	-	-	-	714,749
Intergovernmental	1,712,135	500,000	-	-	2,212,135
Charges for services	2,005,974	-	-	-	2,005,974
Commissions	1,438,833	-	-	-	1,438,833
Fines	167,349	-	-	-	167,349
Miscellaneous	817,356	-	-	177	817,533
TOTAL REVENUES	17,221,261	500,000	3,517,377	154,361	21,392,999
EXPENDITURES					
General Government	4,572,519	-	23,914	1,720	4,598,153
Court	547,975	-	-	-	547,975
Public Safety -					
Police	5,379,967	-	-	-	5,379,967
Fire	5,230,781	-	-	-	5,230,781
Streets	997,348	3,182,947	-	-	4,180,295
Sanitation	1,554,577	-	-	-	1,554,577
Debt Service:					
Interest	-	-	318,375	28,709	347,084
Principal	-	-	600,000	90,000	690,000
TOTAL EXPENDITURES	18,283,167	3,182,947	942,289	120,429	22,528,832
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,061,906)	(2,682,947)	2,575,088	33,932	(1,135,833)
OTHER FINANCING SOURCES (USES)					
Note Proceeds	693,257	-	-	-	693,257
Transfers from (to) other funds	112,843	(600,000)	600,000	-	112,843
TOTAL OTHER FINANCING SOURCES (USES)	806,100	(600,000)	600,000	-	806,100
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(255,806)	(3,282,947)	3,175,088	33,932	(329,733)
FUND BALANCE (DEFICIT), Beginning	12,367,989	(2,138,790)	3,639,787	1,424,890	15,293,876
FUND BALANCE (DEFICIT), Ending	\$ 12,112,183	\$ (5,421,737)	\$ 6,814,875	\$ 1,458,822	\$ 14,964,143

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, 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, 2020**

Net change in fund balances - Governmental Funds (Page 17)	\$ (329,733)
The change in net position reported for governmental activities in the statement of activities is different because:	
Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the statement of activities.	
Non-employer contributions to cost-sharing pension plan	368,214
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense for the year ended June 30, 2020	(2,064,760)
Loss on disposal of asset	(11,606)
Annual OPEB (Other Post Employment Benefit) expense	(2,485,542)
Pension expense	(851,450)
Litigation liability and special item	100,000
The liability and expense for compensated absences are not reported in governmental funds. Payments for compensated absences are reported as salaries when they occur. Only the payment consumes current financial resources, and it would take a catastrophic event for this liability to become a current liability.	
	(129,214)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt:	
Principal Payments	\$690,000
Note Proceeds	(693,251)
	<u>(3,251)</u>
Change in net position of governmental activities (Page 15)	<u>\$ 1,149,164</u>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,339,060
Accounts receivable (net)	1,111,340
State of LA grant receivable	110,958
Other receivables - miscellaneous	6,965
Prepaid expense	57,078
Inventory	204,280
Total current assets	<u>3,829,681</u>
Restricted assets	
Customer deposits:	
Cash and cash equivalents	585,001
Investments	500,000
Utility revenue bond:	
Cash and cash equivalents	1,483,148
Total restricted assets	<u>2,568,149</u>
Capital assets	
Structures and improvements	53,424,012
Machinery and equipment	2,558,221
	<u>55,982,233</u>
Less accumulated depreciation	<u>(26,633,664)</u>
	29,348,569
Land	180,745
Construction in progress	113,344
Total capital assets	<u>29,642,658</u>
TOTAL ASSETS	36,040,488
DEFERRED OUTFLOWS - PENSION	<u>1,014,177</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ <u>37,054,665</u>
LIABILITIES	
Current liabilities	
Payable from current assets:	
Accounts payable	\$ 255,618
Other payables	627,601
Due to other funds	2,904,457
Current portion of long-term debt (note)	115,100
Payable from restricted assets:	
Customers' deposits	1,068,220
Current portion of long-term debt (bonds)	689,000
Total current liabilities	<u>5,659,996</u>
Long-term liabilities	
Compensated absences	90,630
Net pension liability	3,511,556
Bonds payable	9,861,965
Notes payable	880,712
Total long-term liabilities	<u>14,344,863</u>
TOTAL LIABILITIES	<u>20,004,859</u>
DEFERRED INFLOWS - PENSION	<u>90,786</u>
NET POSITION	
Net invested in capital assets	17,801,792
Restricted	794,148
Unrestricted	(1,636,920)
Total Net Position	<u>16,959,020</u>
TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS	\$ <u>37,054,665</u>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

OPERATING REVENUES

Charges for services:	
Water sales	\$ 2,737,467
Gas sales	2,345,348
Sewer service charges	1,222,724
Installation charges	443,578
Impact Fees	21,750
Intergovernmental grant	369,894
Late fees	161,019
Pension expense income	53,926
Miscellaneous service revenues	92,946
TOTAL OPERATING REVENUES	<u>7,448,652</u>

OPERATING EXPENSES

Water department	1,351,602
Gas department	1,311,377
Sewer department	1,195,348
Meters	405,482
Warehouse	238,579
Cashiers/Billing	325,318
General and administrative	1,249,041
Depreciation	1,931,790
TOTAL OPERATING EXPENSES	<u>8,008,537</u>

OPERATING INCOME **(559,885)**

NONOPERATING REVENUES (EXPENSES)

Interest income	7,671
Interest expense	(128,488)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(120,817)</u>

CHANGE IN NET POSITION **(680,702)**

NET POSITION - Beginning **17,639,722**

NET POSITION - Ending **\$ 16,959,020**

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2020

	<u>Utility Department</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 7,258,054
Cash received from grants	817,308
Cash payments to suppliers	(3,572,439)
Cash payments to employees	(1,236,972)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,265,951</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(1,706,441)
Disposal of capital assets	94,432
Interest payments on bonds	(103,407)
Principal payments on bonds	(668,000)
Interest payments on note	(25,081)
Principal payments on note	(108,500)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,516,997)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest income from investments	7,671
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>7,671</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	756,625
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,650,584</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,407,209</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:	
Unrestricted cash	\$ 2,339,060
Restricted cash	2,068,149
	<u>\$ 4,407,209</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (559,885)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,931,790
(Increase) decrease in accounts receivable	510,980
(Increase) decrease in inventory	(45,088)
(Increase) decrease in prepaid expense	(1,853)
(Increase) decrease in deferred outflows	140,921
Increase (decrease) in accounts payable and accrued expenses	988,178
Increase (decrease) in customer deposits	169,655
Increase (decrease) in net pension	138,888
Increase (decrease) in compensated absences	23,670
Increase (decrease) in deferred inflows	(31,305)
Total adjustments	<u>3,825,836</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,265,951</u>
Supplemental Data	
Interest paid	<u>\$ 141,750</u>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The City of Zachary, Louisiana operates under a Home Rule Charter that provides for a mayor-council form of government. Five Council members are elected from separate districts at large, and they are compensated for their services. As authorized by its charter, the City is responsible for providing public safety, highways and streets, sanitation, recreation, public improvements, and general government services to its approximately 18,207 inhabitants with its boundaries located in East Baton Rouge Parish.

The accounting and reporting practices of the City of Zachary conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The City's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:517, and to the industry guide, *Audits of State and Local Governmental Units*, published by the American Institute of Certified Public Accountants.

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

Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 61, codified into Section 2100, *Defining the Financial Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Since the City of Zachary is a general-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments, it is considered a primary government under the provisions of this Statement. as used in GASB Statement No. 61, fiscally independent means that the City may, without approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The financial reporting entity consists of (a) the primary government (City), (b) the organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, established the criteria for determining which component units should be considered part of the Consolidated Government of the City for financial reporting purposes. The basic criteria includes the following:

1. Legal status of the potential component unit
2. Financial accountability
 - a. The primary government appoints a voting majority of the potential component unit's governing body and the primary government is able to impose its will on that organization or
 - b. When a potential component unit is fiscally dependent on the primary government regardless of whether the organization has separately elected officials or boards.

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

3. Financial benefit/burden relationship between the City and potential component unit.
4. Misleading to exclude: Paragraph 111 of Section 2100 covers other potential component units for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As required by generally accepted accounting principles, these financial statements present the City of Zachary, Louisiana (the primary government) and its component unit. The component unit included in the accompanying financial statements is discretely presented.

Discretely Presented Component Unit

Component units that are legally separate from the municipality but are financially accountable to the municipality, or whose relationship with the municipality are such that exclusion would cause the municipality's financial statements to be misleading or incomplete are discretely presented. The "Component Unit" column of the combined financial statements includes the financial data of the discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the municipality.

The City has one component unit, Zachary City Court, which is defined by GASB Statement No. 61 as another legally separate organization for which the elected City officials are financially accountable.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial information about the City of Zachary as a whole entity. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions, while business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the assets and liabilities of each activity, with the difference reported as net position. Net position is further segregated between the amounts invested in capital assets, amounts which are restricted, and those which are unrestricted.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. *Direct expenses* are those that are specifically associated with a program or functions, and therefore, are clearly identifiable to a particular function. *Program revenues* include 1) fees, fines and charges paid by the recipients of goods, services, or privileges offered by a program 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial settlements is on major governmental and enterprise funds, each displayed in a separate column.

The daily accounts and operation of the City are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that compromise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The City reports the following Governmental Funds:

Major Funds

General Fund

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

Special Revenue Fund – Sales Tax Fund

This fund accounts for the collection and expenditure of a one-half cent sales tax which is restricted to street improvement and maintenance.

Debt Service Fund – Public Street Bonds

This fund accounts for transactions relating to resources retained and used for the payment of principal, interest, and related cost on long term debt.

The City reports the following Major Enterprise Fund:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives or receives value without directed receiving or giving equal value in exchange, including property taxes, grants entitlements and donations. On

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing resources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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 and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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 utility department enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds 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.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the governmental-wide financial statements. Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. The City's policy has set the capitalization threshold for reporting capital assets at \$5,000.

Depreciation of all exhaustible assets is charged as an expense against operations. Depreciation has been provided using the straight-line method over the assets' estimated useful lives, which are as follows:

Buildings	35-40 years
Sewerage system	25-35 years
Gas system	35 years
Water system	12-35 years
Office equipment	5-10 years
Automotive equipment	5-10 years

Budget and Budgetary Accounting

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

1. The Mayor prepares a proposed budget and submits same to the Members of the Council prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. The budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
4. Budgetary amendments involving the transfer of funds from one department or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Members of the Council.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. Budgets for the general, debt service, and proprietary funds are adopted on bases consistent with generally accepted accounting principles.

Louisiana R.S. 39:1310 requires budgets to be amended when revenue collections plus projected revenue collections for the remainder of a year, within a fund, are failing to meet estimated annual budgeted revenues by five percent or more or expenditures plus projected expenditures for the

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

remainder of the year, within a fund, are exceeding estimated budgeted expenditures by five percent or more.

The level of budgeted control is total appropriations. Budgeted amounts are as originally adopted.

The original budgeted beginning fund balance is noted on the budget to actual statements in the current year to more accurately reflect the budgets as they were actually presented to the council.

Cash and Cash Equivalents and Investments

Cash and investments, which include demand deposit accounts, interest-bearing demand deposit accounts, and certificates of deposit, are stated at cost, which approximates market. Certificates of deposit with a maturity date of over three months when purchased are considered investments.

Under Louisiana Revised Statutes 39:1271 and 33:2955, the City may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Fair Value Measurements

The City of Zachary invested in a Certificate of Deposit which is categorized as a Level 1 investment. The three levels of the fair value hierarchy are described below:

Level 1 – Inputs are unadjusted quoted prices for identical assets in active markets.

Level 2 – Inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayments speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 – Inputs are observable and based on management estimate.

Accounts Receivable and Bad Debt

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

Accounts receivable are stated net of uncollectible accounts. Uncollectible amounts due from customers for utility services are recognized through an allowance for bad debts account at the time information becomes available. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible accounts. Allowances are reported when accounts are proven to be uncollectible. Accounts receivable of \$1,111,340 is reported net of allowance for uncollectible accounts for the year ended June 30, 2020. Revenues of \$7,448,652 are reported net of uncollectible amounts for the year ended June 30, 2020.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

Inventory

Inventory of supplies in the proprietary fund is valued at cost (first-in, first-out). Purchases of operating supplies by governmental fund types are recorded as expenditures when purchased; inventories of such supplies are not recorded and are not considered by management to be material.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid expenses.

Restricted Assets

Restricted assets include cash and cash equivalents and investments that are legally restricted as to their use. These restricted assets are related to the customers' water deposits and bond accounts.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between the individual funds. These interfund receivables/payables are classified on the balance sheet as "Due from Other Funds" or "Due to Other Funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "interfund balances."

Compensated Absences

Municipal employees earn up to 240 hours of vacation leave each year, depending on their length of service. Vacation leave can be accumulated, where up to 240 hours can be carried over each year. Upon termination, all unused vacation is paid to the employee up to a maximum of 480 hours plus the vacation hours earned up to the date of termination.

Police 12-hour shift employees earn up to 300 hours of vacation leave each year, depending on their length of service. Vacation leave can be accumulated, where up to 240 hours can be carried over each year. Upon termination all unused vacation is paid to the employee up to a maximum of 540 hours plus the vacation hours earned up to the date of termination.

Police 10-hour shift employees earn up to 270 hours of vacation leave each year, depending on their length of service. Vacation leave can be accumulated, where up to 240 hours can be carried over each year. Upon termination, all unused vacation is paid to the employee up to a maximum of 510 hours plus the vacation hours earned up to the date of termination.

Fire Department employees earn up to 432 hours of vacation leave each year, depending on their length of service. Vacation leave can be accumulated, where up to 432 hours can be carried over each year. Upon termination, all unused vacation is paid to the employee up to a maximum of 864 hours plus the vacation hours earned up to the date of termination.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

There is one municipal employee that has 216 hours of frozen vacation, which is an addition to the hours quoted above.

Municipal employees only (fire & police do not) earn varying amounts of sick leave each year depending on their length of service and employment status. Maximums are set for accumulation of sick leave with even more restrictive limits established for post-retirement benefits.

GASB Statement 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In compliance with GASB Statement 16, the City records a liability for earned vacation and sick leave and reflects the liability for this on the government-wide financial statements.

In the government-wide financial statements and the proprietary fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. In accordance with GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, (issued in March of 2000), no compensated absences liability is recorded at June 30, 2020, in the governmental fund financial statements.

Long-Term Obligations

In government-wide financial statements, debt principal payments of both governmental and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. In fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

Net Position

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for Local and State Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following component of net position:

- *Net invested in capital assets* - Consist of capital assets including restricted capital

CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, laws, or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net invested in capital assets.”

Operating Transfers

Advances between funds which are not expected to be repaid are accounted for as operating transfers. In those cases where repayment is expected, the transfers are accounted for through the various due from and due to accounts. These are eliminated in the government-wide statements.

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with original maturities of three months, or less when purchased to be cash equivalents.

Fund Equity

City of Zachary, Louisiana elected to implement GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, fund balance of the governmental funds is classified as follows:

- *Nonspendable* – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – Amounts that can be spent only for specific purpose because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations or other governments.
- *Committed* – Amounts that can be used only for specific purposes determined by a formal action of the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Councilmen.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

- *Assigned* – Amounts that do not meet the criteria to be classified as restricted or committed by that are intended to be used for specific purposes.
- *Unassigned* – All other spendable amounts.

As of June 30, 2020, all fund balances are as follows:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Prepaid items	\$ 110,014	\$ -	\$ -	\$ -	\$ 110,014
Restricted	-	-	6,814,875	1,458,822	8,273,697
Committed:					
Capital Outlay	-	(5,421,737)	-	-	(5,421,737)
Unassigned	<u>12,002,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,002,169</u>
Total Fund Balances	<u>\$ 12,112,183</u>	<u>\$ (5,421,737)</u>	<u>\$ 6,814,875</u>	<u>\$ 1,458,822</u>	<u>\$ 14,964,143</u>

Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the City or the assignment has been changed by the City. Decreases in fund balance first reduce Unassigned fund balance; in the event that Unassigned becomes zero, then Assigned and Committed fund balances are used in that order.

Pension Plans

The City of Zachary is a participating employer in multiple cost-sharing, multiple-employer defined benefit pension plans as described in Note L. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions for the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within the plan.

OPEB Plan

The City of Zachary's defined benefit postemployment health care plan provides OPEB to eligible retired employees. Medical/dental benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by one of three retirement systems: the Municipal Employees' Retirement System of Louisiana, the Municipal Police Retirement System of Louisiana, and the Firefighters' Retirement System of Louisiana. The City of Zachary's OPEB plan is a single-employer defined benefit plan

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

administered by the City. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification P52 *Postemployment Benefits Other Than Pensions-Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria-Defined Benefit*.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as revenue until then. The governmental funds report unavailable revenue from property taxes and state revenue sharing. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then.

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2020, the City of Zachary, Louisiana had the following balances:

	Book Balances	Bank Balances
Cash and cash equivalents	\$ 13,075,572	\$ 13,567,682
Investments	500,000	500,000
Total	\$ 13,575,572	\$ 14,067,682

The deposits are stated at cost, which approximates market.

Security on Deposits:

Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2020, the City had the following security on deposits as shown on the following page:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

	Primary Government			Component Unit - City Court
	Cash	Nonnegotiable Certificates of Deposit	Total	Cash
Deposits per Balance Sheet (Reconciled bank balance)	\$ 13,075,572	\$ 500,000	\$ 13,575,572	\$ 157,385
Deposits in bank accounts per bank	\$ 13,567,682	\$ 500,000	\$ 14,067,682	\$ 6,536
Bank balances exposed to custodial credit risk:				
a. Uninsured and uncollateralized			-	-
b. Uninsured and collateralized with securities held by the pledging institution			-	-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name			\$ 20,774,098	\$ 206,536
Excess of FDIC insurance and pledged securities			\$ 6,706,416	\$ -

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertised and sell the pledged securities within 10 days of being notified by the City of Zachary, Louisiana that the fiscal agent has failed to pay deposited funds upon demand.

Investments:

Investments of the City of Zachary, Louisiana consist of certificates of deposit. These securities are stated at their fair value as required by GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. The City used quoted market values to determine fair value of the investments.

Interest Rate Risk – The City of Zachary has no formal investment policy but has adopted the state investment policy at LA RS 49:327. The City invests in investments with maturities limited to five-year as means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City of Zachary invests in certificates of deposits that are backed by FDIC and pledged securities, and U.S. government securities. The City has adopted the state investment policy at LA 49:327 and does not have any other policy that would further limit the investment choices. As of June 30, 2020, 100% of the City's investment balances were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued

Concentration of Credit Risk – The City places no limits on the amount they may invest in any one issuer.

At June 30, 2020, the City held a six month certificate of deposit (all level 1), with an original maturity greater than 90 days, totaling \$500,000. The certificate of deposit matured on July 6, 2020 and was renewed for another six months. This investment is stated on the balance sheet at market value and is as follows:

<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Certificate of deposit	<u>\$ 500,000</u>	<u>\$ 500,000</u>	7/6/2020	1.00%
Total Investments	<u>\$ 500,000</u>	<u>\$ 500,000</u>		

The City of Zachary did not have Level 2 or 3 assets at June 30, 2020.

NOTE C: ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

The receivables at June 30, 2020 are as follows:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Beer Tax	\$ 4,798	\$ -
Fines	17,736	-
Sales Tax	2,169,935	-
Charge for Services	370,211	1,111,340
Garbage Collection Fees	1,262	-
Fire District #1	59,567	-
Americana tax	38,535	-
Franchise	64,908	-
911 Operations	108,703	-
City/Parish Street	24,200	-
State of LA Grant	-	110,958
Grant - Federal	742,555	-
Other	319,389	6,965
Total	<u>\$ 3,921,799</u>	<u>\$ 1,229,263</u>

NOTE D: RESTRICTED ASSETS

Customer deposits are paid by customers upon application of water service and are returnable to them upon termination of services. The District maintains an interest-bearing account and a certificate of deposit which are designated specifically for meter deposits. At June 30, 2020, customer deposits amounted to \$1,085,001.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE D: RESTRICTED ASSETS, continued

Certain resources are set aside for repayment of bond indebtedness and are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable bond ordinances. The following schedule summarizes the current year transactions in the major categories of these restricted accounts:

	Utility Revenue Bond Debt Service Fund	Utility Revenue Bond Debt Service Reserve Fund	Depreciation & Contingency Fund	Totals
Beginning balance, July 1, 2019	\$ 565,156	\$ 802,312	\$ 500,000	\$ 1,867,468
Add:				
Deposits	786,000	-	-	786,000
Transfers from utility checking	-	-	-	-
Interest earned	581	596	-	1,177
Total funds available	1,351,737	802,908	500,000	2,654,645
Less:				
Cash disbursement	-	400,000	-	400,000
Bond principal & interest payments	771,407	-	-	771,407
Transfers to general fund	-	-	-	-
Service charges	-	90	-	90
Ending balance, June 30, 2020	\$ 580,330	\$ 402,818	\$ 500,000	\$ 1,483,148

Total restricted assets of the Utility Fund were applicable to the following at June 30, 2020:

	<u>2020</u>
Customer Deposits Accounts:	
Cash and Cash Equivalents	\$ 585,001
Investments	500,000
Utility Revenue Bond:	
Cash and Cash Equivalents	<u>1,483,148</u>
Total	<u>\$ 2,568,149</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE E: CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is as follows:

	Primary Government				
	Balance 6/30/2019	Additions	Deletions	Relass- ification	Balance 6/30/2020
Land	\$ 2,506,635	\$ 502,765	\$ -	\$ -	\$ 3,009,400
Road infrastructure	30,782,279	3,106,212	-	-	33,888,491
Buildings and improvements	5,835,715	1,884,151	-	-	7,719,866
Machinery and equipment	13,488,344	999,419	(124,561)	-	14,363,202
Construction in progress - Streets	245,346	3,114,002	(3,050,043)	-	309,305
Total Capital Assets	\$ 52,858,319	\$ 9,606,549	\$ (3,174,604)	\$ -	\$ 59,290,264

	Primary Government				
	Accumulated Depreciation Balance 6/30/2019	Additions	Deletions	Accumulated Depreciation Balance 6/30/2020	Capital Assets Net of Accumulated Depreciation
Land	\$ -	\$ -	\$ -	\$ -	\$ 3,009,400
Road infrastructure	3,813,682	904,542	-	4,718,224	29,170,267
Buildings and improvements	2,600,069	247,489	-	2,847,558	4,872,308
Machinery and equipment	7,666,008	912,729	(112,955)	8,465,782	5,897,420
Construction in progress - Streets	-	-	-	-	309,305
Total Capital Assets	\$ 14,079,759	\$ 2,064,760	\$ (112,955)	\$ 16,031,564	\$ 43,258,700

Depreciation expense for the year ended June 30, 2020 was charged to the following governmental functions:

General government	\$ 1,160,218
Streets	904,542
	<u>\$ 2,064,760</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE E: CAPITAL ASSETS, continued

A summary of changes in capital assets for business-type activities is as follows:

	Business-Type Activities				Balance 6/30/2020
	Balance 6/30/2019	Additions	Deletions	Reclassifications	
Land	\$ 180,745	\$ -	\$ -	\$ -	\$ 180,745
Construction in progress	1,292,648	647,439	(52,096)	(1,774,648)	113,343
Buildings and improvements, Gas, water, sewer systems	50,695,201	996,499	-	1,732,312	53,424,012
Machinery and equipment	2,507,619	62,503	(11,900)	-	2,558,222
Total Capital Assets	\$ 54,676,213	\$ 1,706,441	\$ (63,996)	\$ (42,336)	\$ 56,276,322

	Business-Type Activities				Capital Assets Net of Accumulated Depreciation
	Accumulated Depreciation Balance 6/30/2019	Additions	Deletions	Accumulated Depreciation Balance 6/30/2020	
Land	\$ -	\$ -	\$ -	\$ -	\$ 180,745
Construction in progress	-	-	-	-	113,343
Buildings and improvements Gas, water, sewer systems	22,561,560	1,829,689	-	24,391,249	29,032,763
Machinery and equipment	2,152,213	102,102	(11,900)	2,242,415	315,807
Total Accumulated Depreciation	\$ 24,713,773	\$ 1,931,791	\$ (11,900)	\$ 26,633,664	\$ 29,642,658

Depreciation expense for the year ended June 30, 2020 for business-type activities totaled \$1,931,791 and there was no capitalized interest.

A summary of the changes in capital assets for the component unit is as follows:

	Component Unit			
	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Machinery and equipment	\$ 388,377	\$ -	\$ -	\$ 388,377
Accumulated depreciation	(362,343)	(15,550)	-	(377,893)
Capital assets, net of accumulated depreciation	\$ 26,034	\$ (15,550)	\$ -	\$ 10,484

Depreciation expense for the year for the component unit ended June 30, 2020 totaled \$15,550.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE F: INTERFUND RECEIVABLE AND PAYABLE

Interfund receivable and payable representing short-term borrowing at June 30, 2020 were as follows:

Major Fund	Interfund Receivables	Interfund Payables
Debt service fund	\$ 3,191,397	\$ -
Special revenue fund	500,000	5,859,570
Proprietary fund	-	2,904,457
General fund	5,823,796	1,419,611
<u>Non-Major Fund</u>		
Debt service fund	668,445	-
	<u>\$ 10,183,638</u>	<u>\$ 10,183,638</u>

NOTE G: CONTRACTS

The City of Zachary, Louisiana also has a contract with Waste Management of Louisiana, LLC, to perform the work required to collect and dispose of all residential solid waste and boom truck service for all residential units of the City for a four-year period beginning February 1, 2018 and ending February 1, 2023 with an option to extend for an additional 5 years. The contract price is adjusted each year on February 1st to account for inflation. The cost per unit for the current audit year is included in the table below. The total amount paid for this lease for the year ended June 30, 2020 was \$1,554,021.

	<u>2/1/19-1/31/20</u>	<u>2/1/20-1/31/21</u>
Garbage	\$ 17.24	\$ 17.79
Recycle	3.62	3.73
Cost per Unit	<u>\$ 20.86</u>	<u>\$ 21.52</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt:

	June 30, 2019	Additions	Deletions	June 30, 2020	Current Portion
<u>Governmental Activities:</u>					
Public Street - bonds	\$ 7,375,000	\$ -	\$ (600,000)	\$ 6,775,000	\$ 630,000
Hotel Occupancy Tax bonds	820,000	-	(90,000)	730,000	95,000
Lease purchase - radios	-	693,252	-	693,252	346,626
Claims- litigation	100,000	-	(100,000)	-	-
OPEB Liability	17,166,237	6,376,660	-	23,542,897	-
Net pension liability	12,206,112	818,712	-	13,024,824	-
Compensated absences	1,111,001	129,214	-	1,240,215	-
	<u>\$ 38,778,350</u>	<u>\$ 8,017,838</u>	<u>\$ (790,000)</u>	<u>\$ 46,006,188</u>	<u>\$ 1,071,626</u>
<u>Business-Type Activities:</u>					
Compensated absences	\$ 66,960	\$ 23,670	\$ -	\$ 90,630	\$ -
Net pension liability	3,372,668	138,888	-	3,511,556	-
Bonds payable	11,218,965	(668,000)	-	10,550,965	689,000
Loan agreement	1,104,312	(108,500)	-	995,812	115,100
	<u>\$ 15,762,905</u>	<u>\$ (613,942)</u>	<u>\$ -</u>	<u>\$ 15,148,963</u>	<u>\$ 804,100</u>

Public Street Bonds

In 2013, the City of Zachary, Louisiana was issued \$10,000,000 of Public Street Bonds, Series 2013. The City refinanced the Street Bonds effective April 1, 2020. The new interest rate on the refinanced bonds changed from 4.5% to 3%. The interest payments are payable semiannually. Principal payments are made annually beginning October 1, 2014 through October 1, 2028. These funds must be used for the widening and improvement of existing public roads and streets, construction of new public roads and streets, road beautification projects, and paying bond issuance costs.

Hotel Occupancy Tax Bonds

In 2017, the City of Zachary, Louisiana was issued \$1,000,000 of Hotel Occupancy Tax Bonds, Series 2017. The interest rate is 4.50% and interest payments are payable semiannually. Principal payments are made annually beginning January 1, 2018 through January 1, 2027. These funds must be used for the widening and improvement of existing public roads and streets, construction of new public roads and streets, road beautification projects, and paying bond issuance costs.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: LONG-TERM DEBT, continued

Following is a summary of loan transactions as of June 30, 2020 for Public Street Bonds and Hotel Occupancy Tax Bonds:

	<u>Public Street</u>	<u>Hotel Occupancy</u>
Balance July 1, 2019	\$ 7,375,000	\$ 820,000
Bond proceeds	-	-
Principal payments	600,000	90,000
Balance, June 30, 2020	<u>\$ 6,775,000</u>	<u>\$ 730,000</u>
Current portion as of June 30, 2020	\$ 630,000	\$ 95,000
Long-term liability as of June 30, 2020	6,145,000	635,000
Total liability as of June 30, 2020	<u>\$ 6,775,000</u>	<u>\$ 730,000</u>

Lease Purchase

In October 2019, the City of Zachary entered into a lease purchase with Santander Leasing, LLC. The lease was used to purchase Motorola APX radios for police and fire departments. The lease includes an 8% volume and trade in discount and two years interest free financing with the first payment deferred until September 2020. The payments will be made in two equal installments of \$346,626. The second and final installment will be made in September 2021.

Loan Agreement – Business-Type Fund

In September 2002, the Council authorized the City to execute a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the "LCDA") for the purpose of providing funds for the construction of public works and infrastructure related to the Central Service Pump Station and Force Main projects in an amount of \$1,500,000. In August 2003, the City amended the original loan agreement with LCDA for an additional \$1,500,000 for the acquisition, construction, installation, and equipping of meter read system for the various utilities. Advances under the loan agreement were drawn down as expenditures made on this project. The interest rate on these advances fluctuates weekly with changes in the Bond Market Association (BMA) Municipal Swap Index. The average interest rate on outstanding advances at June 30, 2020 was 2.64%.

The future annual debt service requirements as of June 30, 2020 are as follows:

	<u>LCDA Loan</u>
Balance July 1, 2019	\$ 1,104,312
Principal Payments	(108,500)
Balance, June 30, 2020	<u>\$ 995,812</u>
Current portion as of June 30, 2020	\$ 115,100
Long-term liability as of June 30, 2020	880,712
Total liability as of June 30, 2020	<u>\$ 995,812</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE H: LONG-TERM DEBT, continued

Bonds Payable – Business-Type Fund

In 2012, the City of Zachary, Louisiana was issued \$9,300,000 of Utilities Revenue Bonds, Series 2012 from the State Revolving Fund Program through the Louisiana Department of Environmental Quality, a partial flow through from the United States Environmental Protection Agency. These funds must be used for the purpose of providing for constructing and acquiring improvements and extensions to the Utility system. The bonds bear interest at .45% per annum and administrative fees at .50% with a maturity of 20 years. The bonds are payable in semiannual installments of interest beginning in July, 2012 and annual installments of principal beginning in January 2015.

On November 26, 2013, a second supplemental bond ordinance was adopted authorizing an additional issuance of \$5,000,000 Utilities Revenue Bond, Series 2014 in accordance with the terms and conditions of the above bonds. The funds are to be used for the same purpose as above.

The following is a summary of the loan transactions as of June 30, 2020:

	<u>\$9,300,000</u>	<u>\$5,000,000</u>	<u>Total</u>
Balance July 1, 2019	\$ 7,148,999	\$ 4,069,966	\$ 11,218,965
Bond proceeds	-	-	-
Principal Payments	(446,000)	(222,000)	(668,000)
Balance, June 30, 2020	<u>\$ 6,702,999</u>	<u>\$ 3,847,966</u>	<u>\$ 10,550,965</u>
Current portion as of June 30, 2020	\$ 450,000	\$ 239,000	\$ 689,000
Long-term liability as of June 30, 2020	6,253,000	3,608,965	9,861,965
Total liability as of June 30, 2020	<u>\$ 6,703,000</u>	<u>\$ 3,847,965</u>	<u>\$ 10,550,965</u>

The annual requirements to amortize all debt outstanding as of June 30, 2020 including interest and administrative fees of \$2,369,612 are as follows:

Year Ending June 30	Utility Revenue	Utility Revenue	LCDA Loan	Public Street Bonds	Hotel	Lease Purchases	Totals
	Bonds Series 2012	Bonds Series 2014			Occupancy Tax Bonds		
2021	511,541	274,420	128,670	920,700	120,550	346,626	2,302,507
2022	511,247	274,141	132,930	916,787	122,225	346,626	2,303,956
2023	511,910	274,837	137,672	916,637	118,726	-	1,959,782
2024	511,531	274,509	143,595	915,137	120,224	-	1,964,996
2025	511,113	274,163	148,679	917,175	116,550	-	1,967,680
2026-2030	2,045,422	1,098,711	371,448	3,648,924	236,900	-	7,401,405
2031-2035	2,555,737	1,658,578	-	-	-	-	4,214,315
Total	7,158,501	4,129,359	1,062,994	8,235,360	835,175	693,252	22,114,641
Less Current Maturities	(511,541)	(274,420)	(128,670)	(920,700)	(120,550)	(346,626)	(2,302,507)
	<u>\$ 6,646,960</u>	<u>\$ 3,854,939</u>	<u>\$ 934,324</u>	<u>\$ 7,314,660</u>	<u>\$ 714,625</u>	<u>\$ 346,626</u>	<u>\$ 19,812,134</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE

A) BUSINESS TYPE FUND

All of the income and revenues earned or derived from the operation of the System shall be deposited daily as the same may be collected in the City's Utilities Revenue Fund" (the "Revenue Fund"). Funds in the Revenue Fund shall be expended in the following order of priority and for the following express purposes:

- 1) The payment of all reasonable and necessary expenses of operation and maintenance of the System as are not provided for from other lawfully available sources.
- 2) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Fund" (the "Debt Service Fund"), sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds, as they severally become due and payable, by transferring from funds in the Revenue Fund, after making the payments required by (a) above, to the Debt Service Fund monthly on or before the 20th day of each month of each year, at least a sum equal to 1/6th of the interest and Administrative Fee, if any, falling due on the Bonds on the next Interest Payment Date and at least a sum equal to 1/12th of the principal falling due on the Bonds on any Principal Payment Date that occurs within the next ensuing twelve months, together with such additional proportionate monthly sum as may be required to pay said principal, interest, and Administrative Fee as the same become due. The City shall transfer from said Debt Service Fund to the paying agent(s) for all Bonds payable from the Debt Service Fund, or directly to the Owners, not less than three days prior to each Interest Payment Date, funds fully sufficient to pay promptly the principal, interest, and Administrative Fee of the Bonds falling due on such date.
- 3) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Reserve Fund" (the "Reserve Fund"), containing separate accounts for each series of the Bonds, each such account to be designated (as set forth in a Series Ordinance) as the "Series 2012 Account," the money in the accounts of Reserve Fund to be retained solely for the purpose of paying the principal of and interest on the respective series of the bonds payable from the Debt Service Fund as to which there would otherwise be default, by transferring from the proceeds of such series or from other available monies, or from the Revenue Fund (after making all required payments from said fund as hereinabove described), monthly or annually, such amounts as will increase the total amount on deposit in each account in the Reserve Fund to a sum equal to the Reserve Fund Requirement for the applicable Series of the Bonds.
- 4) The establishment and maintenance of the "Depreciation and Contingency Fund" (the "Contingencies Fund"), to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from funds in the Revenue Fund after making the payment required (1), (2), and (3) above to the Contingencies Fund monthly on or before the 20th day

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

of each month of each year, a sum equal to five percent (5%) of the Net Revenues for the preceding month, provided that such sum is available after provisions is made for the payments required under paragraphs (1), (2), and (3) above. Such payments into the Contingencies Fund shall continue until such time as there has been accumulated in the Contingencies Fund the sum of Five Hundred Thousand Dollars (\$500,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the sum of Five Hundred Thousand Dollars (\$500,000), in which event such payments shall be resumed and continue until said maximum amount is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund described in paragraphs (2) and (3) above, but the money in said Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund shall never be used for the making of improvements and extensions to the System or for payment of principal or interest on Bonds if the use of said money will leave in said Contingencies Fund for the making of emergency repairs or replacements less than the sum of Seventy-Five Thousand Dollars (\$75,000).

- 5) Any money remaining in the Revenue Fund after making the above-required payments may be used by the City for the purpose of calling and/or purchasing and paying any bonds payable from the Revenues, or for such other lawful corporate purposes as the Governing Authority may determine.

B) GOVERNMENTAL FUNDS

In order that the principal of and the interest on the Bonds will be paid in accordance with their terms and for the other objects and purposes hereinafter provided, the Issuer further covenants as follows:

The Revenues shall continue to be deposited each month, as received, in a special bank account maintained with the regularly designated fiscal agent of the Issuer and designated as the "Public Street Fund – 2013" (hereinafter called the "Revenue Bond Fund").

The funds on deposit in the Revenue Fund shall be used in the following order of priority and for the following express purposes:

- 1) The establishment and maintenance of the "Public Street Bond Sinking Fund – 2013." (hereinafter called the "Sinking Fund"), sufficient in amount to pay promptly and fully the principal of, premium, if any, and the interest on the Bonds herein authorized, including any pari passu bonds issued hereafter in the manner provided by this Bond Ordinance, as they severally become due and payable, by transferring from the Revenue Bond Fund to the regularly designated fiscal agent

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

of the Issuer, monthly in advance on or before the 20th day of each month of each year, a sum equal to one-sixth (1/6) of the interest falling due on the next Interest Payment Date and one-twelfth (1/12) of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. Said fiscal agent shall transfer from the Sinking Fund to the paying agent bank or banks for all bonds payable from the Sinking Fund, at least two (2) days in advance of the date on which payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

All or any part of the monies in the Revenue Bond Fund and the Sinking Fund may be invested in Government Investments. All income derived from such Government Investments shall be added to the Revenue Bond Fund, and such investment shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purposes for which the Revenue Bond Fund was created.

All monies remaining in the Revenue Bond Fund on the 20th day of each month in excess of (i) all reasonable and necessary expenses of collection and administration of the Tax, and (ii) after making the required payments into the Sinking Fund for the current month and for prior months during which the required payments may not have been made, shall be considered as surplus. Such surplus may be used by the Issuer for any of the purposes for which the Tax is authorized.

The maintenance of the Public Street Revenue Bond Reserve Fund (hereinafter called the "Reserve Fund"), with regularly designated fiscal agent of the Issuer. The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and the interest on the Bonds payable from the aforesaid Sinking Fund as to which there would otherwise be default (except for certain earnings which may be owed the United States pursuant to Section 148(f) of the Code). On or before the 20th day of each month following the delivery of the Bonds, an amount equal to one thirty-sixth of the Revenue Fund Requirement shall be deposited in the Reserve Fund and such deposits shall continue until the Reserve Fund Requirement for the Bonds is satisfied. In the event that Additional Parity Bonds are issued hereafter, there shall be deposited into the Reserve Fund, from the proceeds of such Additional Parity Bonds and/or from any other source provided by the Issuer, such additional amounts (as may be designated in the ordinance authorizing the issuance of such Additional Parity Bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding three (3) years to a sum equal to the Reserve Fund Requirement.

If at any time it shall be necessary to use monies in the Reserve Fund for the purpose of paying principal or interest on Bonds as to which there would otherwise be default, then the monies so used shall be replaced from the revenues first thereafter by the Revenue Bond Fund, not hereinabove required to pay the expenses of collecting and administering the Taxes or to pay current principal and interest requirements, it being the intention hereof that there shall as nearly as possible be at all times in the Reserve Fund the amount hereinabove specified.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

The Reserve Fund Requirement, in whole or in part, may be funded with cash investment obligations, or one or more Reserve Products, or a combination thereof. Any such Reserve Product must provide for payment on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists (or is expected to exist) in amounts held hereunder for payment of the principal of or interest on the Bonds due on such date which cannot be cured by amounts in any account held pursuant to this Bond Ordinance and available for such purpose, and shall name the Paying Agent of each issue of Outstanding Parity Bonds as the beneficiary thereof. The Reserve Product must be rated in the highest rating category by each Rating Agency. If a disbursement is made from a Reserve Product as provided above, the Issuer shall be obligated to reinstate the maximum limits of such disbursement from the first Revenues available pursuant to this Section or to replace such Reserve Product by depositing into the Reserve Fund pursuant to such sections, the maximum amount originally available under such Reserve Product, plus amounts necessary to reimburse the Reserve Product for previous disbursements under such Reserve Product, or a combination thereof. For purposes of this Section, amounts necessary to satisfy such reimbursement obligations of the Issuer to the Reserve Product Provider shall be deemed to be required deposits to the Reserve Fund, and shall be applied to satisfy the obligations to the Reserve Product Provider.

If the Reserve Fund Requirement is funded in whole or in part with cash or Investment Obligations and no event of default shall have occurred and be continuing hereunder, the Issuer may at any time in its discretion, substitute a Reserve Product meeting the requirements of the Bond Ordinance for the cash and investment obligations in the Reserve Fund and the Issuer may then withdraw such cash and investment obligations from the Reserve Fund expend such replaced funds and obligations for the purposes the Bonds were issued and, in the event the Bonds were issued for more than one purpose for the purposes and in the same proportion as the purposes for which the Bonds were issued so long as (i) the same does not adversely affect any rating by a Rating Agency then in effect with respect to the Bonds, and (ii) the Issuer obtains opinion of Bond Counsel to the effect that such actions will not, and in and of themselves, adversely affect the exclusion from gross income of interest on the Bonds (if not taxable obligations) for federal income tax purposes.

The Revenue Bond Fund, Reserve Fund, and the Sinking Fund provide for in this Section shall all be and constitute trust funds for the purposes provided in this Bond Ordinance, and the Owners of the Bonds issued pursuant to this Bond Ordinance are granted a lien on all such funds until applied in the manner provide herein. The monies in such funds shall at all times be secured to the full extent thereof by the bank or trust company holding such funds in the manner required by the laws of the State of Louisiana.

All monies remaining the Revenue Fund on the 20th day of each month after making the required payments into the Sinking Fund and the Reserve Fund for the current month and for prior months during which the required payments may have not have been made, shall be considered as surplus. Such surplus may be used by the Issuer for any of the purposes for which the imposition of the Taxes is authorized.

All or any part of the monies in the Reserve Fund shall, at the written request of the issuer, be invested in direct obligations of the United States of America, maturing in five (5) years or less.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE I: FLOW OF FUNDS & RESTRICTIONS ON USE – BONDS PAYABLE, continued

The income on such funds shall be added to the Revenue Bond Fund, provided that if the amount in the Reserve Fund at any time is less than the Reserve Fund Requirement, then any income derived from such investments in the Reserve Fund shall be retained in the Reserve Fund. Such investments shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purposes for which the respective funds are herein created.

NOTE J: ACCOUNTS, SALARIES, AND OTHER PAYABLES

A summary of payables at June 30, 2020 is as follows:

<u>Class of Payables</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Proprietary Funds</u>
Accounts payable	\$ 463,052	\$ 5,998	\$ 255,618
Accrued expenses	115,271	56,169	627,601
Total	<u>\$ 578,323</u>	<u>\$ 62,167</u>	<u>\$ 883,219</u>

NOTE K: AD VALOREM TAXES

Ad valorem taxes are levied and are actually billed to the taxpayers in December of each year. Billed ad valorem taxes become delinquent on January 2nd of the following calendar year. If ad valorem taxes are unpaid by June 30, the property is offered at a tax sale, and thirty days after the tax sale a lien is placed on the property.

The East Baton Rouge Parish Sheriff’s office bills and collects the property taxes for the City using the assessed values determined by the tax assessor of East Baton Rouge Parish. For the 2020 calendar year, taxes of 5.48 mils were levied (6.75 mils authorized) on property with assessed valuations totaling \$171,646,830 and were available for general purposes.

Ad valorem taxes collected during the year ended June 30, 2020 totaled \$952,602.

NOTE L: PENSION PLAN

The City of Zachary’s office implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting Related to Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68. These standards require that the City of Zachary’s office to record its proportional share of each of the pension plans Net Pension Liability and report the following disclosures:

Substantially all employees of the City of Zachary are members of either, the Municipal Employees Retirement System of Louisiana, the Municipal Police Employees Retirement System of Louisiana, the Firefighters’ Retirement System, or the Louisiana State Employees’ Retirement System. The systems are cost-sharing, multiple-employer defined benefit pension plan administered by separate boards of trustees. Pertinent information relative to each plan follows:

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Municipal Employees Retirement System of Louisiana (MERS)

Plan Description:

All of the City's full-time general employees participate in the MERS, a multiple-employer, cost-sharing pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the City are members of Plan A. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. MERS has issued a stand-alone audit report on their financial statements for the year ended June 30, 2019. Access to the report can be found on the Louisiana Legislative Auditor's website, www.la.gov.

Retirement Benefits:

Any member of Plan A who commenced participation before January 1, 2013 can retire providing the member meets one of the following criteria: (1) any age with twenty-five (25) or more years of creditable service, (2) age 60 with a minimum of ten (10) years of creditable service, (3) any age with five (5) years of creditable service eligible for disability benefits, (4) survivor's benefits require five (5) years of creditable service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated), or (5) any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However under certain conditions as outline in the statutes, the benefits are limited to specified amounts. An additional regular retirement benefit can be received for any city marshal or deputy city marshal. See Plan Booklet for further details.

Any member of Plan A Tier 2 can retire providing he or she meets one of the following requirements: (1) age 67 with seven years of creditable service; (2) age 62 with ten years of creditable service; (3) age 55 with thirty years of creditable service; (4) any age with twenty five years of creditable service with an actuarially reduced early benefit; (5) survivor's benefits require five of more years of creditable service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated).

Generally, the monthly amount of retirement allowance for any member of Plan A Tier 2 shall consist of an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Any city marshal or deputy city marshal shall receive an additional regular benefit computed on supplemental marshal's earnings. See Plan Booklet for further details.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Survivor Benefits:

Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes.

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

Any member of Plan A who had not withdrawn their accumulated contributions and had at least twenty years of service credit at time of death, surviving spouse shall receive benefits for as long as he or she lives as outlined in the statutes.

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance any member of Plan A who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits would be payable, had the person elected to cease employment and received a service retirement allowance, are paid into the DROP fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if non, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five 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 A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service whichever is greater or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Cost of Living Increases:

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

Deferred Benefits:

Both plans provide for deferred benefits for members who terminate before becoming eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

Employer Contributions:

Contributions for all plan members are established by statute. Member contributions are at 9.50% of earnable compensation for Plan A. The contributions are deducted from the member's salary and remitted by the participating municipality.

According to state statute, contributions for all employers are actuarially determined each year. For the year ended June 30, 2019, the actual employer contribution rate was 26.00% of member's earnings for Plan A.

According to state statute, the System also received one-fourth (1/4) of ad valorem taxes collected within the respective parishes, except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. Tax monies received from East Baton Rouge Parish are apportioned between the Municipal Employee's Retirement System and the Employee's Retirement System of the City of Baton Rouge. The System also received revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities.

Administrative costs of the System are financed through employer contributions.

Plan members are required by state statute to contribute 9.50 percent of their annual covered salary to the System, and The City of Zachary is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 27.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish. The contribution requirements of plan members and the City of Zachary are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MERS during the years ended June 30, 2020, 2019, and 2018, totaled \$744,393, \$663,067, and \$603,366, respectively, equal to the required contributions.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources:

At June 30, 2020, the City reported a liability of \$2,245,093 for its governmental activities and \$3,511,556 for its business-type activities for its proportionate share of the net pension liability for MERS, totaling \$5,756,649. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the City's proportion for MERS was 1.37763%, which was an increase of .04235% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$486,175 for its governmental activities for MERS less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$2,505), and recognized pension expense of \$760,428 for its business-type activities for MERS less employer's amortization of change in proportionate share and difference between employer contributions and proportionate share of contributions, (\$3,919).

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for its governmental activities and business-type activities for MERS from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (54,779)	\$ -	\$ (85,680)
Changes of assumptions	56,734	-	88,737	-
Net difference between projected and actual earnings on pension plan investments	222,666	-	348,272	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	78,695	(3,264)	123,088	(5,106)
Employer contributions subsequent to the measurement date	290,313	-	454,079	-
Total	<u>\$ 648,408</u>	<u>\$ (58,043)</u>	<u>\$ 1,014,176</u>	<u>\$ (90,786)</u>

The City reported a total for MERS of \$290,313 for its governmental activities and \$454,079 for its business-type activities, totaling \$744,392, as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2019, which will be recognized as a reduction in net pension liability for the year ended June 30, 2021.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Governmental Activities	Business-Type Activities
2021	183,040	286,293
2022	69,884	109,307
2023	28,435	44,476
2024	18,693	29,235
	\$ 300,052	\$ 469,311

Actuarial Assumptions:

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future. The actuarial assumptions used in the June 30, 2019 valuation was based on the results of an experience study, for the period July 1, 2013 through June 30, 2018.

A summary of actuarial methods and assumptions used in determining the total net pension liability for MERS as of June 30, 2019 is as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Expected Remaining Service Lives	3 years for Plan A
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation
Inflation Rate	2.5%
Salary increases, including inflation and merit increases	1- 4 years of service: 6.4% More than 4 years of service: 4.5%
Annuitant and beneficiary mortality	PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective males and female MP 2018 scales.
Employee mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Disabled lives mortality	PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Discount Rate:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Portfolio Real Rate of Return</u>
Public equity	50%	2.15%
Public fixed income	35%	1.51%
Alternatives	15%	0.64%
Totals	100%	4.30%
Inflation		2.70%
Expected Arithmetic Nominal Return		7.00%

Discount Rate:

The discount rate used to measure the total pension liability was 7.000% for the year ended June 30, 2019. 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, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the project earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following table represents the City’s proportionate share of the net pension liability (NPL) using the discount rate for MERS as well as the City’s proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by MERS (assuming all other assumptions remain unchanged):

	Governmental Activities		
	1.0% Decrease	Current	1.0% Increase
	6.000%	Discount Rate	8.000%
	7.000%		
Net Pension Liability	\$ 2,927,200	\$ 2,245,093	\$ 1,668,393
	Business-Type Activities		
	1.0% Decrease	Current	1.0% Increase
	6.000%	Discount Rate	8.000%
	7.000%		
Net Pension Liability	\$ 4,578,441	\$ 3,511,556	\$ 2,609,539

Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan Description:

All of the City’s full-time police employees participate in the MPERS, a multiple-employer, cost-sharing, defined benefit pension plan administered by a separate board of trustees. MPERS was established by Act 189 of 1973 to provide retirement, disability, and survivor benefits to municipal police officers of Louisiana. Benefits are established and amended by state statute. MPERS issued a stand-alone audit report on its financial statements for the year ended June 30, 2018. Access to the audit report can be found on the System’s website: www.lampers.org or on the Office of Louisiana Legislative Auditor’s official website: www.lla.state.la.us.

Retirement Benefits:

Membership Prior to January 1, 2013. A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are 3.33% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

Membership Commencing January 1, 2013. Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are 3% and 2.5%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments:

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age. A COLA may only be granted if funds are available from interest earnings in excess of normal requirements, as determined by actuary.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Deferred Retirement Option Plan:

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty-six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account and can earn interest at the money market rate.

Initial Benefit Option Plan:

In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

Employer Contributions:

Contributions for all members are actuarially determined as required by state law but cannot be less than 9.00% of the employees' earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2019, total contributions due for employers and employees were 42.25%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 32.25% and 10.00%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 32.25% and 8.00%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 34.75% and 7.50%, respectively.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

The System also received insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2018, and excluded from pension expense.

Plan members are required by state statute to contribute 10% of their annual covered salary to the System, and the City of Zachary is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 32.50 percent of annual covered payroll. The contribution requirements of plan members and the City of Zachary are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MPERS during the years ended June 30, 2020, 2019, and 2018, total \$719,626, \$694,502, and \$648,078, respectively, equal to the required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources:

At June 30, 2020, the City reported a liability of \$6,276,463 for its proportionate share of the net pension liability for MPERS. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the City's proportion for MPERS was .691113%, which was a decrease of .030916% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$921,665 for MPERS less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$2,318).

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for MPERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,169	\$ (193,099)
Changes of assumptions	351,721	-
Net difference between projected and actual earnings on pension plan investments	407,771	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	81,006	(256,299)
Employer contributions subsequent to the measurement date	719,626	-
Total	<u>\$ 1,573,293</u>	<u>\$ (449,398)</u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

The City reported a total for MPERS of \$719,626 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2019, which will be recognized as a reduction in net pension liability for the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	
2021	250,074
2022	(39,135)
2023	91,526
2024	101,804
	<u>\$ 404,269</u>

Actuarial Assumptions:

A summary of actuarial methods and assumptions used in determining the total net pension liability for MPERS as of June 30, 2019 is as follows:

Valuation Date	June 30, 2019	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Inflation Rate	2.5%	
Expected Remaining Service Lives	4 years	
Investment Rate of Return	7.125%, net of investment expense	
Projected Salary Increases	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1 - 2	9.75%
	3 - 23	4.75%
	Over 23	4.25%
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	
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.	

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Mortality Rate:

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

The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Portfolio Real Rate of Return</u>
Equity	48.50%	3.28%
Fixed income	33.50%	0.80%
Alternatives	18.00%	1.06%
Other	0%	0.00%
Totals	100%	5.14%
Inflation		2.75%
Expected Nominal Return		7.89%

Discount Rate:

The discount rate used to measure the total pension liability was 7.125%. 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 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 of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following table represents the City's proportionate share of the net pension liability (NPL) using the discount rate for MPERS as well as the City's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by MPERS:

	<u>1.0% Decrease 6.125%</u>	<u>Discount Rate 7.125%</u>	<u>1.0% Increase 8.125%</u>
Net Pension Liability	\$ 8,745,182	\$ 6,276,463	\$ 4,205,456

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Firefighters' Retirement System (FRS)

Plan Description:

All of the City's full-time fire employees participate in the FRS, a multiple-employer, cost-sharing, defined benefit pension plan administered by a separate board of trustees. FRS was established by Act 434 of 1979 and amended by LRS 11:2251-11:2272 to provide retirement, disability, and survivor benefits to participating, eligible firefighters in Louisiana. Benefits are established and amended by state statute. FRS issued a stand-alone audit report on its financial statements for the year ended June 30, 2019. Access to the audit report can be found on the System's website: www.lafirefightersret.com or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

Eligibility Requirements:

Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment. Membership in the System is a condition of employment for any full-time fighters (or any person in a position as defined in the municipal fire and police civil service system) who earn at least \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System.

No person who has attained age 50 or over shall become a member of the System, unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of 18 years shall become a member of the System.

Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits therefrom may become a member of this System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this System, or for any other purpose in order to attain eligibility or increase the amount of service credit in this System.

Retirement Benefits:

Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3.333% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. An employee may elect an unreduced benefit or any of seven options at retirement. See R.S. 11:2256(A) for additional details on retirement benefits.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Disability Benefits:

A member who acquires a disability, and who files for disability benefits while in service, and who upon medical examination and certification as provided for in Title 11, is found to have a total disability solely as the result of injuries sustained in the performance of his official duties, or for any cause, provided the member has at least five years of creditable service and provided that the disability was incurred while the member was an active contributing member in active service, shall be entitled to disability benefits under the provisions of R.S. 11:2258(B).

Death Benefits:

Benefits shall be payable to the surviving eligible spouse or designated beneficiary of a deceased member as specified in R.S. 11:2256(B) & (C).

Deferred Retirement Option Plan:

After completing 20 years of creditable service and attaining the age of 50, or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months.

Upon commencement of participation in DROP, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the member's DROP account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the DROP account balance. These withdrawals are in addition to his regular monthly benefit. If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No withdrawals may be made from the deferred retirement option plan account until the participant retires.

Initial Benefit Option Plan:

Effective June 16, 1999, members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

Cost of Living Adjustment (COLAs):

Under the provisions of R.S. 11:246 and 11:2260(A)(7), the board of trustees is authorized to grant retired members and widows of members who have retired an annual COL increase of up to 3% of their current benefit, and all retired members and widows who are 65 years of age and older a 2% increase in their original benefit. In order for the board to grant either of these increases, the System must meet certain criteria detailed in the statute related to funding status and interest earnings (R.S. 11:243). In lieu of these COLAs, pursuant to R.S. 11:241, the board may also grant an increase based on a formula equal to up to \$1 times the total number of years

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

of credited service accrued at retirement or at death of the member or retiree plus the number of years since retirement or since death of the member or retiree to the system's fiscal year ending preceding the payment of the benefit increase. If there are not sufficient funds to fund the benefit at the rate of one dollar per year for such total number of years, then the rate shall be reduced in proportion to the amount of funds that are available to fund the cost-of-living adjustment.

Employer, Employee, and Non-employer Contributions:

Contribution requirements for employers, non-employer contributing entities, and employees are established and may be amended in accordance with Title 11 and Title 22 of the Louisiana Revised Statutes. According to State statute, employer contributions are actuarially-determined each year. For the year ended June 30, 2019, employer and employee contribution rates for members above the poverty line were 26.50% and 10.00%, respectively. The employer and employee contribution rates for those members below the poverty line were 28.50% and 8.00%, respectively.

According to State statute, the System received insurance premium tax funds from the State of Louisiana. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2019, and were excluded from pension expense.

Plan members are required by state statute to contribute 10% of their salary to the System, and the City of Zachary is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 27.75%). The contribution requirements of plan members and the City of Zachary are established and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the FRS during the years ended June 30, 2020, 2019, and 2018, totaled \$536,778, \$453,542, and \$428,919, respectively, equal to the required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources:

At June 30, 2020, the City reported a liability of \$4,472,187 for its proportionate share of the net pension liability for FRS. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the City's proportion for FRS was .714189%, which was an increase of .033533% from its proportion measured as of June 30, 2018.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

For the year ended June 30, 2020, the City recognized pension expense of \$998,491 for FRS less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$2,182). At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for FRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (322,597)
Changes of assumptions	406,861	(327)
Net difference between projected and actual earnings on pension plan investments	300,740	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	475,419	(7,277)
Employer contributions subsequent to the measurement date	536,778	-
Total	\$ 1,719,798	\$ (330,201)

The City reported a total for FRS of \$536,778 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2019, which will be recognized as a reduction in net pension liability for the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	
2021	290,869
2022	86,091
2023	193,690
2024	167,209
2025	74,500
2026	40,460
	\$ 852,819

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Actuarial Assumptions:

A summary of actuarial methods and assumptions used in determining the total net pension liability for FRS as of June 30, 2019 is as follows:

	(decreased from 7.40% in 2017)
Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return (discount rate)	7.15% per annum (net of investment expenses, including inflation) (decreased from 7.30% in 2018)
Expected Remaining Service Lives	7 years, closed period
Inflation Rate	2.50% per annum (decreased from 2.70% in 2018)
Salary Increases	Vary from 14.75% in the first two years of service to 4.50% with 25 or more years of service; includes inflation and merit increases
Cost of Living Adjustments (COLAs)	For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.

Mortality Rate:

The mortality rate assumption used was set back upon an experience study performed on plan data for the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA were selected for employee, annuitant, and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back three years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation, 2.75%. The resulting long-term expected arithmetic nominal rate of return was 7.94% as June 30, 2019. Best estimates of arithmetic real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2019, are summarized in the following table:

	<u>Asset Type</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	U.S. Equity	21.50%	5.98%
	Non-U.S. Equity	17.50%	7.52%
	Global Equity	10.00%	6.59%
Fixed Income Alternatives	Fixed Income	31.00%	2.17%
	Real Estate	6.00%	4.14%
	Private Equity	4.00%	10.52%
Multi-Asset Strategies	Global Tactical Asset Allocation	5.00%	4.37%
	Risk Parity	5.00%	4.67%
		<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 7.15%. 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 and non-employer contributing entities will be made at the actuarially-determined rates approved by the Board of Trustees and by the Public Retirement Systems' Actuarial Committee taking into consideration the recommendation of the System's actuary. Based on these 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 of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following represents the net pension liability of the participating employers calculated using the discount rate of 7.15%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of June 30, 2019:

	<u>1.0% Decrease 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>1.0% Increase 8.15%</u>
Net Pension Liability	\$ 6,476,030	\$ 4,472,187	\$ 2,790,314

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Louisiana State Employees' Retirement System

Plan Description:

All of the Zachary's City Court (a component unit) employees, including judges for the City of Zachary, participate in the Louisiana State Employees' Retirement System (LASERS), a multiple-employer, cost-sharing, defined benefit pension plan. Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) grants to LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org.

Retirement Benefits:

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. Our rank and file members hired prior to July 1, 2006, may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing ten years of creditable service or at age 60 upon completing ten years of creditable service depending on their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service and those hired on or after July 1, 2015 may retire at age 62 upon completing five years of creditable service. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials received an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 on the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Members in the regular plan will received a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge. A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classifications but generally is ten years of service.

Deferred Retirement Benefits:

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Disability Benefits:

Generally, active members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

Survivor Benefits:

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased regular member hired before January 1, 2011 who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

The deceased regular member hired on or after January 1, 2011, must have a minimum of five years of service credit regardless of when earned in order for a benefit to be paid to a minor child. The aforementioned minimum service credit requirements for a surviving spouse are 10 years, 2 years being earned immediately prior to death, and active state service at the time of death, or a minimum of 20 years of service credit regardless of when earned. A deceased member's spouse must have been married for at least one year before death.

Permanent Benefit Increases/Cost of Living Adjustments:

As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases, also known as cost-of-living adjustments (COLAs) that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Contributions:

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Employee and employer contributions are deducted from the member's salary and remitted to LASERS by participating employers. The rates in effect during the year ended June 30, 2018 for the various plans follow:

Plan	Plan Status	Employee Contribution Rate	Employer Contribution Rate
Appellate Law Clerks	Closed	7.5%	37.9%
Appelate Law Clerks hired on or after 7/1/06	Open	8.0%	37.9%
Alcohol Tobacco Control	Closed	9.0%	31.4%
Bridge Police	Closed	8.5%	36.7%
Bridge Police hired on or after 7/01/06	Closed	8.5%	36.7%
Corrections Primary	Closed	9.0%	33.5%
Corrections Secondary	Closed	9.0%	37.7%
Hazardous Duty	Open	9.5%	38.5%
Judges hired before 1/1/11	Closed	11.5%	40.1%
Judges hired after 12/31/10	Closed	13.0%	39.0%
Judges hired on or after 7/1/15	Open	13.0%	39.0%
Legislators	Closed	11.5%	41.6%
Optional Retirement Plan (ORP) before 7/1/06	Closed	7.5%	37.9%
Optional Retirement Plan (ORP) on or after 7/1/06	Closed	8.0%	37.9%
Peace Officers	Closed	9.0%	36.7%
Regular Employees hired before 7/1/06	Closed	7.5%	37.9%
Regular Employees hired on or after 7/1/06	Closed	8.0%	37.9%
Regular Employees hired on or after 1/1/11	Closed	8.0%	37.9%
Regular Employees Hired on or after 7/1/15	Open	8.0%	37.9%
Special Legislative Employees	Closed	9.5%	43.6%
Wildlife Agents	Closed	9.5%	46.3%

The City's contractually required composite contribution rate for the year ended June 30, 2020 was 42.4% for the City and 42.4% for the City Court, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the City were \$3,766 for the year ended June 30, 2020 and contributions to the pension from City Court were \$36,433 for the year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources:

At June 30, 2020, the City reported a liability of \$31,081 for its proportionate share of the net pension liability for LASERS and the City Court reported a liability of \$307,474. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The City and City Court's

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the City's proportion for LASERS was .00043%, which was a decrease of .00002% from its proportion measured as of June 30, 2018. At June 30, 2019, the City Court's proportion for LASERS was .00424%, which was a decrease of .00035% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$4,040 for LASERS less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$1,437). The City Court recognized pension expense of \$39,328 for LASERS plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$21,679.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for LASERS from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 191	\$ (65)	\$ 1,888	\$ (640)
Changes of assumptions	266	-	2,635	-
Net difference between projected and actual earnings on pension plan investments	1,074	-	10,623	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,596	(3,622)	73,032	(71,934)
Employer contributions subsequent to the measurement date	3,766	-	36,433	-
Total	\$ 7,893	\$ (3,687)	\$ 124,611	\$ (72,574)

The City reported a total for LASERS of \$3,766 and the City Court reported a total for LASERS of \$36,433 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2019, which will be recognized as a reduction in net pension liability for the year ended June 30, 2021.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Primary Government	Component Unit
2021	406	19,559
2022	(664)	(10,860)
2023	295	2,923
2024	403	3,982
	\$ 440	\$ 15,604

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.75% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 9.00% for 2019. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Long-Term Expected Portfolio Real Rate of Return
Cash	0.24%
Domestic equity	4.83%
International equity	5.83%
Domestic Fixed Income	2.79%
International Fixed Income	4.49%
Alternative Investments	8.32%
Global Tactical Asset Allocation	5.06%
Totals	6.09%

Discount Rate:

The discount rate used to measure the total pension liability was 7.60%. 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 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.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Actuarial Assumptions:

A summary of actuarial methods and assumptions used in determining the total net pension liability for LASERS as of June 30, 2019 is as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.50% per annum
Expected Remaining Service Lives	2 years
Investment Rate of Return	7.600% per annum, net of investment expenses*
Mortality	Non-disabled members - Mortality rates for 2019 were based on the RP-2014 Healthy Mortality Table with mortality improvement projected using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis. Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2014-2018) experience study of the System's members.
Salary increases	Salary increases were projected based on a 2014-2018 experience study of the System's members. The salary increase ranges for specific types of members are:

<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>
Regular	3.2%	13.0%
Judges	2.8%	5.3%
Corrections	3.8%	14.0%
Hazardous Duty	3.8%	14.0%
Wildlife	3.8%	14.0%

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 projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.

*The investment rate of return used in the actuarial valuation for funding purposes was 8.00%, recognizing an additional 40 basis points for gain-sharing. The net return available to fund regular plan benefits is 7.60%, which is the same as the discount rate. Therefore we conclude that the 7.60% discount rate is reasonable.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the City and City Court’s proportionate share of the net pension liability (NPL) using the discount rate of 7.60% for LASERS as well as the City and City Court’s proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by LASERS:

	Primary Government		
	1.0% Decrease	Current	1.0% Increase
	6.60%	Discount Rate 7.60%	8.60%
Net Pension Liability	\$ 39,228	\$ 31,081	\$ 24,199

	Component Unit		
	1.0% Decrease	Current	1.0% Increase
	6.60%	Discount Rate 7.60%	8.60%
Net Pension Liability	\$ 388,072	\$ 307,474	\$ 239,396

Summarized Pension Liabilities, Pension Expense, and Deferred Outflows and Resources and Deferred Inflows of Resources

At June 30, 2020, the City reported a total liability of \$13,024,824 for its governmental activities and \$3,511,556 for its business-type activities for its proportionate share of the net pension liability and the City Court reported a total liability of \$307,474 for its proportionate share of the net pension liability.

For the year ended June 30, 2020, the City recognized total pension expense of \$2,410,371 for its governmental activities and \$760,428 for its business activities less employer’s amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$8,442) for its governmental activities and (\$3,919) for its business-type activities. The City Court recognized total pension expense of \$39,328, plus employer’s amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$21,679.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE L: PENSION PLAN, continued

At June 30, 2020, the city reported total deferred outflows of resources and total deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		Business-Type Activities		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,360	\$ (570,540)	\$ -	\$ (85,680)	\$ 1,888	\$ (640)
Changes of assumptions	815,582	(327)	88,737	-	2,635	-
Net difference between projected and actual earnings on pension plan investments	932,250	-	348,273	-	10,623	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	637,716	(270,462)	123,088	(5,106)	73,032	(71,934)
Employer contributions subsequent to the measurement date	1,550,483	-	454,079	-	36,433	-
Total	<u>\$ 3,949,391</u>	<u>\$ (841,329)</u>	<u>\$ 1,014,177</u>	<u>\$ (90,786)</u>	<u>\$ 124,611</u>	<u>\$ (72,574)</u>

NOTE M: OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The City of Zachary (the City) provides certain continuing health care and life benefits for its retired employees. The City of Zachary’s OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the employer, employees, and retirees rests with the City. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

Benefits Provided. Medical/dental benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by one of three retirement systems: first, the Municipal Employees’ Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or age 60 and 10 years of services; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service; and, third, the Firefighters’ Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service.

Life insurance coverage in the flat amount of \$2,500 is provided to retirees (not dependents) until death and is based on a blended rate (for active and retired combine). The employer pays 90% of the “cost” of the retiree life insurance, but it is based on the blended rate.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued

Employees covered by benefit terms – At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	53
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>122</u>
Total	<u><u>175</u></u>

Total OPEB Liability

The City's total OPEB liability of \$23,542,897 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs - The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%, including inflation
Discount rate	3.50% annually (Beginning of Year to Determine ADC) 2.21% annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually
Mortality	SOA RP-2000 Table

The discount rate was based on the Bond Buyers' 20 Year General Obligation municipal bond index as of June 30, 2020, the end of the applicable measurement period.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of ongoing evaluations of the assumptions from July 1, 2009 to June 30, 2020.

Changes in Total OPEB Liability

Balance at June 30, 2019	<u>\$ 17,166,237</u>
Changes for the year:	
Service cost	446,371
Interest	592,425
Differences between expected and actual experience	889,184
Changes of assumptions	4,928,315
Benefit payments and net transfers	<u>(479,635)</u>
Net changes	<u>6,376,660</u>
Balance at June 30, 2020	<u><u>23,542,897</u></u>

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1.0% Decrease 1.21%	Current Discount Rate 2.21%	1.0% Increase 3.21%
Total OPEB Liability	\$ 27,998,882	\$ 23,542,897	\$ 20,065,584

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease 4.5%	Curent Healthcare Cost Trend Rate 5.5%	1.0% Increase 6.5%
Total OPEB Liability	\$ 21,073,037	\$ 23,542,897	\$ 26,683,875

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$2,262,320. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 853,959	\$ (79,938)
Assumption changes	4,685,874	(505,776)
Total	\$ 5,539,833	\$ (585,714)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2021	\$	1,223,504
2022		1,223,504
2023		1,223,504
2024		1,223,504
2025		60,024
Thereafter		-

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE N: OPERATING TRANSFERS

Operating transfers in and out are listed by fund for the fiscal year ended June 30, 2020 as follows:

	Operating Transfers	
	In	Out
General Fund:	\$ 112,843	\$ -
Debt Service Fund	600,000	-
Special Revenue Fund	-	600,000
Component Unit - City Court:	-	112,843
Totals	\$ 712,843	\$ 712,843

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. These transfers were eliminated in preparation of the Government-Wide Financial Statements.

NOTE O: RELATED PARTY TRANSACTIONS

The City of Zachary incurs expenditures on behalf of the City Court of Zachary. These expenditures include compensation to City Court personnel along with the related pension cost and employee benefits. During the year ended June 30, 2020, the City paid \$547,975 on behalf of City Court.

City Court makes distributions to the City of Zachary for collection of various fees and fines. In addition, City Court makes an annual payment to the general fund of the City. During the year ended June 30, 2020, City Court paid \$112,843 to the City of Zachary.

NOTE P: COMPONENT UNIT – DISTRICT INDIGENT DEFENDER FUND – GOVERNMENTAL FUND REVENUES

For the year ended June 30, 2020, the major sources of governmental fund revenues were as follows:

Local Government:	
Statutory fines, forfeitures, fees, court costs, and other	\$ 714,097

NOTE Q: LITIGATION, CLAIMS AND JUDGEMENTS, SPECIAL ITEM

There are seven pending lawsuits in which the City of Zachary is currently involved. The City Attorney states that there is no significant liability on behalf of the City for eleven of these lawsuits. The estimated exposure ranges from \$5,000 to \$50,000 per suit for eight lawsuits.

NOTE R: DEFICIT FUND BALANCE

The Sales Tax Fund had a deficit fund balance at June 30, 2020 of \$(5,421,737). This deficit will be eliminated by the transfer of funds from the General Fund to the Sales Tax Fund.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE S: COOPERATIVE ENDEAVOR AGREEMENTS

The City of Zachary entered into a cooperative endeavor agreement with the City of Baton Rouge/East Baton Rouge Parish on December 12, 2013. The City/Parish agreed to reimburse City of Zachary for the actual third-party cost of the roadway work from the Green Light Program payable in \$500,000 annual installments. Expiration of the agreement is December 31, 2030.

The City of Zachary entered into a cooperative endeavor agreement with the State of Louisiana on December 17, 2018. The State agreed to reimburse the City of Zachary for 81.44482% of the actual third-party cost of constructing an elevated water tower up to \$1,285,199. The agreement is in effect until the completion of the project.

NOTE T: NEW ACCOUNTING PRONOUNCEMENTS NOT YET IMPLEMENTED

GASB Statement 87, Leases: This standard will require all leases to be reported on the statement of net positions under a single accounting model for both lessors and lessees. The statement will require the recognition of lease assets or liabilities for leases including those previously reported as operating leases. All leases will be reported under this single accounting method and reported by lessees as an intangible right to use asset and by lessors as a receivable with both reporting a deferred inflow of resources. The standard is effective for annual reporting periods beginning after June 15, 2021. The City will include the requirements of this standard, as applicable, in its June 30, 2022 financial statement. All of the City's lease agreements will need to be evaluated to determine the impact of implementing this standard; however, the effect of this standard or its applicability to the City is unknown at this time.

The following GASB pronouncements, Interest Costs No. 89 effective for periods beginning after December 15, 2019, have not yet been implemented.

NOTE U: FEDERAL FUND—CARES ACT—CFDA #21.019

In September 2020, the City of Zachary received \$742,555 from the State of Louisiana Department of Treasury. This was a partial reimbursement of expenditures incurred from March through June 2020 due to COVID-19. Most of the funds were used to cover payroll for Public Safety employees. Per the Director of Community Development, there are no more available funds for the period prior to June 30, 2020. Since the federal funds received are less than \$750,000, there is no Single Audit requirement.

NOTE V: SUBSEQUENT EVENTS

These financial statements considered subsequent events through December 1, 2020, the date the financial statements were available to be issued. There were no events occurring after this date that are included in the financial statements.

**CITY OF ZACHARY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS**

NOTE V: SUBSEQUENT EVENTS, continued

As a result of COVID-19, coronavirus, economic uncertainties have arisen which are likely to have a negative impact on operations and cause business disruption. After the June 30, 2020 year end, the City received \$742,555 in federal funds under the Corona virus relief act. This was booked as a receivable in the General fund. However, the related financial impact and duration of additional federal funds after the date of this report cannot be reasonably estimated at this time. The City is closely monitoring its financial statements for 2020-2021 impacts.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ZACHARY, LOUISIANA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 9,640,000	\$ 10,213,500	\$ 10,364,865	\$ 151,365
License and permits	577,000	667,550	714,749	47,199
Intergovernmental	960,500	986,900	1,712,135	725,235
Charges for services	1,902,500	1,973,000	2,005,974	32,974
Commissions	1,340,000	1,404,000	1,438,833	34,833
Fines and forfeits	165,000	160,000	167,349	7,349
Proceeds from loan	-	-	-	-
Miscellaneous	392,750	725,050	817,356	92,306
TOTAL REVENUES	14,977,750	16,130,000	17,221,261	1,091,261
EXPENDITURES				
General Government	4,604,975	4,359,425	4,572,519	(213,094)
Court	510,000	542,500	547,975	(5,475)
Public Safety -				
Police	4,834,300	5,324,800	5,379,967	(55,167)
Fire	4,654,600	4,724,700	5,230,781	(506,081)
Streets	1,238,600	1,310,700	997,348	313,352
Sanitation	1,460,000	1,469,100	1,554,577	(85,477)
TOTAL EXPENDITURES	17,302,475	17,731,225	18,283,167	(551,942)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,324,725)	(1,601,225)	(1,061,906)	539,319
OTHER FINANCING SOURCES (USES)				
Note proceeds	-	-	693,257	693,257
Transfer from city court	60,000	113,000	112,843	(157)
TOTAL OTHER FINANCING SOURCES (USES)	60,000	113,000	806,100	693,100
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(2,264,725)	(1,488,225)	(255,806)	1,232,419
FUND BALANCES - BEGINNING	12,367,989	12,367,989	12,367,989	-
FUND BALANCES - ENDING	\$ 10,103,264	\$ 10,879,764	\$ 12,112,183	\$ 1,232,419

CITY OF ZACHARY, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
SPECIAL REVENUE FUND
SALES TAX FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Intergovernmental income	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Miscellaneous	2,000	-	-	-
TOTAL REVENUES	502,000	500,000	500,000	-
EXPENDITURES				
Sales tax collection fee	30,000	24,000	5,999	18,001
Interest expense	318,375	318,375	-	318,375
Operating expense - supplies	50,000	15,000	6,777	8,223
Capital outlay - streets	1,000,000	1,000,000	3,170,171	(2,170,171)
TOTAL EXPENDITURES	1,398,375	1,357,375	3,182,947	(1,825,572)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(896,375)	(857,375)	(2,682,947)	(1,825,572)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	-	-
Transfers from (to) other funds	-	-	(600,000)	(600,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(600,000)	(600,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(896,375)	(857,375)	(3,282,947)	(2,425,572)
FUND BALANCES - BEGINNING	(2,138,790)	(2,138,790)	(2,138,790)	-
FUND BALANCES - ENDING	\$ (3,035,165)	\$ (2,996,165)	\$ (5,421,737)	\$ (2,425,572)

CITY OF ZACHARY, LOUISIANA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	Public Street Bonds
REVENUES	
Taxes - sales tax	\$ 3,517,377
TOTAL REVENUES	3,517,377
EXPENDITURES	
Principal	600,000
Interest expense	318,375
Collection fee and other	23,914
TOTAL EXPENDITURES	942,289
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,575,088
OTHER FINANCING SOURCES (USES)	
Transfers from (to) other funds	600,000
	600,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	3,175,088
FUND BALANCES - BEGINNING	3,639,787
FUND BALANCES - ENDING	\$ 6,814,875

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability			
Service cost	\$ 383,638	\$ 414,299	\$ 446,371
Interest	556,277	586,409	592,425
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(127,899)	199,658	889,184
Changes of assumptions	(809,244)	1,040,510	4,928,315
Benefit payments	(322,470)	(454,631)	(479,635)
Net change in total OPEB liability	<u>(319,698)</u>	<u>1,786,245</u>	<u>6,376,660</u>
Total OPEB liability - beginning	<u>15,699,690</u>	<u>15,379,992</u>	<u>17,166,237</u>
Total OPEB liability - ending (a)	<u>\$ 15,379,992</u>	<u>\$ 17,166,237</u>	<u>\$ 23,542,897</u>
Covered-employee payroll	\$ 5,022,934	\$ 5,405,054	\$ 5,621,256
Net OPEB liability as a percentage of covered-employee payroll	306.20%	317.60%	418.82%
Notes to Schedule:			
<i>Benefit Changes:</i>	None	None	None
<i>Changes of Assumptions:</i>			
Discount Rate:	3.87%	3.50%	0.00%
Mortality:	RP-2000	RP-2000	RP-2000
Trend:	5.5%	5.5%	5.5%

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

CITY OF ZACHARY, LOUISIANA
 SCHEDULE OF CITY OF ZACHARY, LOUISIANA'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2020

Retirement System	Year Ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Municipal Employees' Retirement System	2020	1.3776%	\$ 5,756,649	\$ 2,682,496	214.6005%	64.68%
	2019	1.3353%	\$ 5,528,964	\$ 2,550,260	216.8000%	63.90%
	2018	1.2451%	\$ 5,208,657	\$ 2,437,841	213.6586%	62.49%
	2017	1.2331%	\$ 5,054,247	\$ 2,246,563	224.9769%	62.11%
	2016	1.2423%	\$ 4,437,759	\$ 2,160,019	205.4500%	66.20%
	2015	1.2238%	\$ 3,140,791	\$ 2,120,342	148.1266%	73.99%
Municipal Police Employees' Retirement System	2020	0.6911%	\$ 6,276,463	\$ 2,205,791	284.5448%	71.01%
	2019	0.7220%	\$ 6,104,077	\$ 2,153,493	283.4501%	71.89%
	2018	0.7011%	\$ 6,120,804	\$ 2,098,770	291.6377%	70.08%
	2017	0.7366%	\$ 6,903,802	\$ 2,091,846	330.0340%	66.04%
	2016	0.7759%	\$ 6,078,091	\$ 1,848,252	328.8562%	70.70%
	2015	0.8167%	\$ 5,109,617	\$ 2,075,384	246.2010%	75.10%
Firefighters' Retirement System	2020	0.7142%	\$ 4,472,187	\$ 1,910,305	234.1085%	73.96%
	2019	0.6807%	\$ 3,915,186	\$ 1,703,819	229.7888%	74.76%
	2018	0.6379%	\$ 3,656,220	\$ 1,610,824	226.9782%	73.55%
	2017	0.6221%	\$ 4,069,297	\$ 1,489,360	273.2245%	68.16%
	2016	0.6028%	\$ 3,253,458	\$ 1,402,765	231.9318%	72.45%
	2015	0.5682%	\$ 2,528,496	\$ 1,281,096	197.3698%	76.02%
Louisiana State Employees' Retirement System - General Government	2020	0.0004%	\$ 31,081	\$ 8,882	349.9324%	62.90%
	2019	0.0005%	\$ 30,553	\$ 8,882	343.9878%	64.30%
	2018	0.0005%	\$ 32,731	\$ 8,882	368.5093%	62.50%
	2017	0.0005%	\$ 39,341	\$ 8,825	445.7904%	57.70%
	2016	0.0005%	\$ 32,579	\$ 8,882	366.7980%	62.70%
	2015	0.0005%	\$ 30,889	\$ 8,882	347.7708%	65.00%
Louisiana State Employees' Retirement System - Zachary City Court	2020	0.0042%	\$ 307,474	\$ 85,928	357.8275%	62.90%
	2019	0.0046%	\$ 313,171	\$ 81,029	386.4925%	64.30%
	2018	0.0039%	\$ 271,699	\$ 81,828	332.0367%	62.50%
	2017	0.0033%	\$ 259,370	\$ 68,023	381.2975%	57.70%
	2016	0.0040%	\$ 274,169	\$ 78,181	350.6849%	62.70%
	2015	0.0037%	\$ 241,299	\$ 80,914	298.2166%	65.00%

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

CITY OF ZACHARY, LOUISIANA
 SCHEDULE OF CITY OF ZACHARY, LOUISIANA'S CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2020

Retirement System	Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
Municipal Employees' Retirement System	2020	\$ 744,392	\$ 744,392	\$ -	\$ 2,682,496	27.7500%
	2019	\$ 663,067	\$ 663,067	\$ -	\$ 2,550,260	26.0000%
	2018	\$ 603,366	\$ 603,366	\$ -	\$ 2,437,841	24.7500%
	2017	\$ 511,093	\$ 511,093	\$ -	\$ 2,246,563	22.7500%
	2016	\$ 425,782	\$ 425,782	\$ -	\$ 2,160,019	19.7120%
	2015	\$ 418,766	\$ 418,766	\$ -	\$ 2,120,342	19.7499%
Municipal Police Employees' Retirement System	2020	\$ 719,626	\$ 719,626	\$ -	\$ 2,205,791	32.6244%
	2019	\$ 694,502	\$ 694,502	\$ -	\$ 2,153,493	32.2500%
	2018	\$ 648,078	\$ 648,078	\$ -	\$ 2,098,770	30.8789%
	2017	\$ 664,519	\$ 664,519	\$ -	\$ 2,091,846	31.7671%
	2016	\$ 610,522	\$ 610,522	\$ -	\$ 1,848,252	33.0324%
	2015	\$ 653,745	\$ 653,745	\$ -	\$ 2,075,384	31.5000%
Firefighters' Retirement System	2020	\$ 536,778	\$ 536,778	\$ -	\$ 1,910,305	28.0991%
	2019	\$ 453,542	\$ 453,542	\$ -	\$ 1,703,819	26.6191%
	2018	\$ 428,919	\$ 428,919	\$ -	\$ 1,610,824	26.6273%
	2017	\$ 376,064	\$ 376,064	\$ -	\$ 1,489,360	25.2500%
	2016	\$ 382,254	\$ 382,254	\$ -	\$ 1,402,765	27.2500%
	2015	\$ 374,721	\$ 374,721	\$ -	\$ 1,281,096	29.2500%
Louisiana State Employees' Retirement System - General Government	2020	\$ 3,766	\$ 3,766	\$ -	\$ 8,882	42.4004%
	2019	\$ 3,562	\$ 3,562	\$ -	\$ 8,882	40.1036%
	2018	\$ 3,561	\$ 3,561	\$ -	\$ 8,882	40.0923%
	2017	\$ 3,353	\$ 3,353	\$ -	\$ 8,825	37.9943%
	2016	\$ 3,384	\$ 3,384	\$ -	\$ 8,882	38.0995%
	2015	\$ 3,686	\$ 3,686	\$ -	\$ 8,882	41.4997%
Louisiana State Employees' Retirement System - Zachary City Court	2020	\$ 36,433	\$ 36,433	\$ -	\$ 85,928	42.3995%
	2019	\$ 32,493	\$ 32,493	\$ -	\$ 81,029	40.1005%
	2018	\$ 32,813	\$ 32,813	\$ -	\$ 81,828	40.1000%
	2017	\$ 25,849	\$ 25,849	\$ -	\$ 68,023	38.0004%
	2016	\$ 29,999	\$ 29,999	\$ -	\$ 78,181	38.3712%
	2015	\$ 33,368	\$ 33,368	\$ -	\$ 80,914	41.2388%

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

SUPPLEMENTARY INFORMATION

NON-MAJOR DEBT SERVICE FUNDS

CITY OF ZACHARY, LOUISIANA
 BALANCE SHEET
 DEBT SERVICE FUND- NON MAJOR FUND
 JUNE 30, 2020

	Hotel Tax
ASSETS	
Cash and cash equivalents	\$ 766,386
Sales tax receivable	23,991
Other receivables	-
Prepaid expenses	-
Due from other funds	668,445
TOTAL ASSETS	\$ 1,458,822
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ -
Other payables	-
Total liabilities	-
Fund balance:	
Nonspendable	-
Restricted	1,458,822
Committed	-
Assigned	-
Total fund balance	1,458,822
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,458,822

CITY OF ZACHARY, LOUISIANA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 DEBT SERVICE FUND- NON MAJOR FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Hotel Tax</u>
REVENUES	
Taxes - sales tax	\$ 154,184
Other income	<u>177</u>
TOTAL REVENUES	<u>154,361</u>
 EXPENDITURES	
Principal	90,000
Interest expense	28,709
Collection fee and other	<u>1,720</u>
TOTAL EXPENDITURES	<u>120,429</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 33,932
 FUND BALANCES - BEGINNING	 <u>1,424,890</u>
 FUND BALANCES - ENDING	 <u><u>\$ 1,458,822</u></u>

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Taxes:			
Ad valorem - industry	\$ 75,000	\$ 86,511	\$ 11,511
Ad valorem - other	810,000	866,091	56,091
Hotel tax	200,000	90,214	(109,786)
Beer tax	15,000	16,102	1,102
Sales tax	9,073,500	9,194,762	121,262
Americana sales tax	40,000	111,185	71,185
Total taxes	10,213,500	10,364,865	151,365
Licenses and permits:			
Occupational licenses	396,550	408,264	11,714
Building permits	125,550	140,970	15,420
Electrical contractor license	8,500	8,575	75
Electrical permits	35,000	44,468	9,468
Other contractor license	12,500	17,263	4,763
Other permits	89,450	95,209	5,759
Total licenses and permits	667,550	714,749	47,199
Intergovernmental:			
911 operations	170,300	243,480	73,180
City - parish street maintenance	95,200	95,250	50
Grant - federal	-	742,554	742,554
Grant - other	-	(524)	(524)
Transportation fund	19,500	19,590	90
Fire District #1	611,700	611,785	85
Grant - fire department	-	-	-
Visit Baton Rouge	90,200	-	(90,200)
Total intergovernmental	986,900	1,712,135	725,235
Charges for services:			
Park revenue	45,900	45,921	21
Inspection fees	15,000	16,172	1,172
Village revenue	-	3,500	3,500
Public works fees	53,000	57,220	4,220
Refuse collection charges	1,846,600	1,867,112	20,512
Refuse billing fees	12,500	16,049	3,549
Total charges for services	1,973,000	2,005,974	32,974
Commissions:			
Cable franchise fee	263,700	263,778	78
Sale of electricity	805,000	825,241	20,241
Sale of insurance	335,300	349,814	14,514
Total commissions	1,404,000	1,438,833	34,833
Fines and forfeits	160,000	167,349	7,349

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Miscellaneous:			
Interest income	1,650	1,707	57
Marshal's fund	62,400	50,647	(11,753)
Sale of equipment	5,000	33,971	28,971
Park revenue	76,500	79,600	3,100
Fire	50,000	59,262	9,262
Police	353,900	385,251	31,351
All other	288,600	319,761	31,161
Total miscellaneous	838,050	930,199	92,149

GENERAL GOVERNMENT:

Finance:			
Salaries - administrative	614,800	626,854	(12,054)
Sales tax collection fee	80,700	80,606	94
Office expense	18,600	13,491	5,109
Electricity	10,100	10,095	5
Supplies and maintenance	74,300	74,291	9
Insurance	209,900	209,809	91
Payroll taxes:			
- Medicare	9,100	9,118	(18)
- F.I.C.A. and unemployment tax	1,800	1,723	77
Worker's compensation insurance	250	258	(8)
Capital outlays	400,000	363,363	36,637
Hurricane clean up	2,100	2,076	24
Telephone	24,400	24,319	81
Uniforms	1,100	1,092	8
Contract services	68,800	68,767	33
Computer expense	164,400	164,326	74
Phone allowance	2,000	1,920	80
Assessment roll fee	7,300	7,295	5
Official journal	27,500	27,461	39
Dues, donations, and subscriptions	11,400	11,302	98
Miscellaneous	45,050	53,105	(8,055)
Travel	2,000	1,903	97
Schools and seminars	3,600	3,549	51
Retirement	141,000	145,746	(4,746)
Drug testing	16,900	16,833	67
Audit	21,500	21,420	80
Legal fees	42,600	142,513	(99,913)
Insurance consultant	5,800	5,800	-
Bank fees	5,700	5,610	90
Health insurance	42,000	45,773	(3,773)
Total	2,054,700	2,140,418	(85,718)

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Beautification:			
Salary	122,400	122,187	213
FICA and medicare	2,050	1,941	109
Health insurance	22,500	22,476	24
Worker's compensation insurance	650	597	53
Contract services	2,300	2,820	(520)
Miscellaneous	45,550	56,296	(10,746)
Vehicle expense	800	884	(84)
Capital outlay	-	22,022	(22,022)
Equipment maintenance	1,600	1,389	211
Beautification retirement	31,300	20,397	10,903
Beautification supplies	16,600	16,598	2
Total	245,750	267,607	(21,857)
Public Relations:			
Animal control fees	63,800	63,730	70
Mayor's prayer breakfast	4,300	4,249	51
Community center	5,300	5,296	4
Economic development	56,600	56,527	73
Open House	39,800	39,550	250
Senior citizen center	34,200	34,168	32
Public Relations expense	2,400	2,380	20
Food pantry	9,300	9,278	22
Total	215,700	215,178	522
Mayor:			
Mayor's salary	97,800	97,833	(33)
Employee salary	53,600	53,539	61
FICA and medicare	2,200	2,112	88
Telephone	3,500	3,470	30
Vehicle expenses	800	715	85
Vehicle maintenance	9,850	9,783	67
Miscellaneous	2,750	2,668	82
Retirement	42,000	41,963	37
LMA convention	(500)	(551)	51
Travel	500	404	96
Health insurance	21,700	21,649	51
Worker's compensation insurance	250	191	59
Total	234,450	233,776	674
Commissions and Boards:			
Salaries	82,875	82,712	163
FICA and medicare	2,200	2,162	38
Worker's compensation insurance	250	256	(6)
Retirement	17,900	17,833	67

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Health insurance	3,300	3,275	25
Legal	8,600	8,588	12
Supplies	2,000	1,992	8
Travel	1,300	1,165	135
Miscellaneous	5,000	10,565	(5,565)
Contract services	170,000	188,940	(18,940)
Total	293,425	317,488	(24,063)
Council:			
Salary	20,300	20,300	-
Miscellaneous	1,600	1,500	100
Council's salary	51,600	51,519	81
FICA and medicare	5,450	5,413	37
Travel	1,100	1,035	65
LMA convention	600	579	21
Health insurance	22,600	21,965	635
Worker's compensation insurance	50	53	(3)
Total	103,300	102,364	936
Recreation:			
General recreation expenses	41,500	45,542	(4,042)
Office supplies	2,100	2,060	40
Salaries	211,500	217,185	(5,685)
FICA and medicare	4,550	4,487	63
Health insurance	18,000	21,216	(3,216)
Worker's compensation insurance	850	812	38
Computer expense	250	257	(7)
Vehicle repairs and maintenance	3,500	3,779	(279)
Equipment maintenance	6,800	7,558	(758)
Retirement	52,000	51,994	6
Telephone	2,800	2,752	48
Utilities	21,900	22,037	(137)
Capital outlays	373,000	431,016	(58,016)
Ground maintenance and building maintenance	36,000	43,950	(7,950)
Contract services	21,000	22,161	(1,161)
Supplies	4,000	3,977	23
Phone allowance	1,000	960	40
Seminar	500	455	45
Uniforms	500	496	4
Miscellaneous	9,000	9,451	(451)
Total	810,750	892,145	(81,395)
Inspection:			
Office	3,000	3,028	(28)
Salary	161,150	161,699	(549)
FICA and medicare	2,700	2,706	(6)

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Retirement	42,200	42,150	50
Health insurance	58,000	60,877	(2,877)
Worker's compensation insurance	250	271	(21)
Vehicle fuel	1,100	1,032	68
Vehicle maintenance	1,400	1,406	(6)
Telephone	1,700	1,667	33
Travel	300	-	300
Building repairs	300	243	57
Miscellaneous	3,950	3,841	109
Capital outlay	15,000	14,185	815
Total	291,050	293,105	(2,055)
Historical village:			
Salary	41,900	41,710	190
FICA and medicare	3,250	3,191	59
Worker's compensation insurance	50	16	34
Utilities	15,300	15,204	96
Miscellaneous	13,800	14,291	(491)
Repairs and maintenance	30,000	30,194	(194)
Telephone	1,700	1,644	56
Other Contractual services	3,800	3,727	73
Office	500	461	39
Total	110,300	110,438	(138)
Total General Government	4,359,425	4,572,519	(213,094)
COURT:			
Clerk of Court:			
Court salaries	216,200	216,195	5
FICA and medicare	3,800	3,737	63
Worker's compensation insurance	50	48	2
Court retirement	52,500	55,133	(2,633)
Health insurance	42,500	44,081	(1,581)
Miscellaneous	29,700	29,676	24
Total	344,750	348,870	(4,120)
Judge:			
Judge's salary	8,900	8,882	18
Medicare	150	54	96
Worker's compensation insurance	50	8	42
Retirement	3,700	3,766	(66)
Health Insurance	14,700	14,734	(34)
Total	27,500	27,444	56

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Probation:			
Salary	15,100	15,102	(2)
FICA and medicare	250	216	34
Worker's compensation insurance	100	9	91
Health insurance	4,200	4,289	(89)
Total	19,650	19,616	34
Prosecutor:			
Prosecutor salary	87,300	88,226	(926)
FICA and medicare	3,800	3,812	(12)
Worker's compensation insurance	50	26	24
Health insurance	21,000	21,400	(400)
Retirement	12,000	11,957	43
Miscellaneous	4,700	4,751	(51)
Total	128,850	130,172	(1,322)
Marshall:			
Salary	20,100	20,219	(119)
FICA and medicare	1,500	1,547	(47)
Worker's compensation insurance	150	107	43
Total	21,750	21,873	(123)
Total Court	542,500	547,975	(5,475)
PUBLIC SAFETY - POLICE:			
Salaries - police officers	2,449,450	2,462,032	(12,582)
Office expense	12,400	12,320	80
Chief's expense	2,200	2,171	29
Electricity	7,900	7,841	59
Vehicle expense	118,500	122,793	(4,293)
Supplies and maintenance	76,000	109,153	(33,153)
Uniforms	48,000	47,917	83
Telephone	62,300	62,214	86
Clothing allowance	3,500	3,500	-
Reserve deputies	2,100	2,040	60
Miscellaneous	58,050	62,126	(4,076)
New hire test	6,700	6,620	80
FICA and medicare	40,200	40,173	27
Retirement	698,600	703,515	(4,915)
Health insurance	455,400	460,398	(4,998)
Worker's compensation insurance	5,400	5,352	48
Contracts and services	38,400	38,368	32
Dues and subscriptions	6,400	6,322	78
D.A.R.E.	100	20	80
Drug testing	200	156	44
Computer expense	54,700	54,669	31

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Travel and seminar	39,300	39,181	119
Professional services legal	39,000	40,603	(1,603)
Capital outlays	1,100,000	1,090,483	9,517
	5,324,800	5,379,967	(55,167)

PUBLIC SAFETY - FIRE:

Salaries	2,405,900	2,404,061	1,839
Building repairs	26,600	26,535	65
Office expense	5,000	4,995	5
Electricity	34,000	33,927	73
Vehicle expense	148,000	147,924	76
Supplies and maintenance	63,800	63,787	13
Dues and subscriptions	1,000	904	96
Uniforms	16,800	16,710	90
Protective gear	17,500	17,414	86
Telephone	12,100	12,013	87
Phone allowance	3,400	3,360	40
Miscellaneous	15,500	14,330	1,170
Retirement	537,600	537,514	86
Health insurance	356,000	355,979	21
Volunteer fireman	9,400	9,393	7
Computer expense	30,000	28,115	1,885
Contracts and services	15,100	15,081	19
Professional services legal	300	250	50
Training	13,000	12,999	1
Physicals	4,400	4,304	96
Drug testing	200	122	78
Communication contract	2,800	-	2,800
FICA and medicare	41,500	41,067	433
Worker's compensation insurance	8,700	8,684	16
Capital outlay	950,000	1,465,266	(515,266)
Fire prevention	6,100	6,047	53
	4,724,700	5,230,781	(506,081)

STREETS:

Salaries	351,300	351,136	164
Office expense	1,350	1,337	13
Electricity	171,200	171,143	57
Vehicle expense	26,200	27,192	(992)
Supplies and maintenance	153,200	183,030	(29,830)
D.C.I. Expense	47,900	47,874	26
Grass cutting contract	18,100	18,083	17
Telephone	7,100	7,084	16

CITY OF ZACHARY, LOUISIANA
 SCHEDULE OF REVENUES AND EXPENDITURES
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
FICA and medicare	5,100	5,019	81
Miscellaneous	15,300	17,885	(2,585)
Uniforms	150	109	41
Retirement	81,500	81,470	30
Health insurance	36,500	36,448	52
Worker's compensation insurance	1,500	1,422	78
Contracts and services	44,300	48,116	(3,816)
Capital outlay	350,000	-	350,000
Total streets	1,310,700	997,348	313,352
Sanitation:			
Landfill charges	10,000	556	9,444
Contracts and services	1,459,100	1,554,021	(94,921)
Total sanitation	1,469,100	1,554,577	(85,477)
Total General Fund	\$ 17,731,225	\$ 18,283,167	\$ (551,942)

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Actual</u>
Water department:	
Salaries	\$ 216,057
FICA and Medicare	3,279
Worker's compensation insurance	629
Electricity	103,981
Equipment maintenance	10,377
Vehicle maintenance	5,769
Vehicle fuel	17,626
Repairs and maintenance	331,829
Telephone	9,438
Retirement	90,453
Uniforms	2,798
Health insurance	55,176
Schools and seminars	415
Water tower maintenance	60,109
Miscellaneous	9,962
Contracts/services	433,704
Total water department	<u><u>1,351,602</u></u>
Gas department:	
Salaries	\$ 194,257
FICA and Medicare	2,977
Worker's compensation insurance	576
Electricity	8,648
Vehicle fuel	15,713
Vehicle equipment maintenance	10,931
Equipment maintenance	23,351
Repairs and maintenance	157,459
Purchase of gas	561,661
Telephone	8,945
Miscellaneous	5,013
Retirement	90,427
Uniforms	2,896
Health insurance	55,169
Schools and seminars	2,605
Contracts/services	170,749
Total gas department	<u><u>1,311,377</u></u>
Sewer department:	
Salaries	\$ 172,146
FICA and Medicare	2,662
Worker's compensation insurance	540
Electricity	40,154
Equipment maintenance	15,253

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Actual</u>
Vehicle maintenance	5,241
Vehicle fuel	15,761
Repairs and maintenance	547,033
Telephone	9,068
Uniforms	3,181
Miscellaneous	13,566
Retirement	90,428
Health insurance	51,509
Contracts/services	228,531
Schools and seminars	275
Total sewer department	<u>1,195,348</u>
Meters:	
Salaries	\$ 32,749
FICA and Medicare	433
Worker's compensation insurance	141
Equipment maintenance	1,055
Vehicle equipment maintenance	12,741
Vehicle fuel	6,935
Repairs and maintenance building	19,052
Supplies	5,014
Telephone	-
Miscellaneous	9,262
Retirement	19,614
Uniforms	-
Health insurance	10,555
Contracts/services	287,931
Total gas department	<u>405,482</u>
Warehouse	
Salaries	\$ 141,732
FICA and Medicare	2,382
Worker's compensation insurance	376
Electricity	8,696
Building maintenance	6,526
Vehicle maintenance	3,758
Vehicle fuel	2,863
Supplies	2,264
Telephone	4,618
Miscellaneous	1,764
Retirement	56,793
Health insurance	6,807
Total warehouse	<u>238,579</u>

CITY OF ZACHARY, LOUISIANA
 SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	Actual
Cashiers/Billing:	
Salaries	\$ 193,226
FICA and Medicare	2,968
Worker's compensation insurance	58
Miscellaneous	8,999
Retirement	98,907
Health insurance	21,160
Total cashier/billing	325,318
 General and administrative:	
Salaries	\$ 286,805
FICA and Medicare	4,620
Worker's compensation insurance	(513)
Insurance	115,948
Retirement	143,356
Printing	79,855
Supplies	7,660
Bank fees	297
Computer expense	59,452
Professional services	186,705
Maintenance and services	157,960
Building maintenance	48,016
Bad debt	97,980
Miscellaneous	60,900
Total general and administrative	1,249,041
 Depreciation	 \$ 1,931,790
 Grand total	 \$ 8,008,537

**COMPONENT UNIT –
CITY COURT**

CITY OF ZACHARY, LOUISIANA
 GOVERNMENTAL FUND BALANCE SHEET/
 STATEMENT OF NET POSITION - COMPONENT UNIT
 CITY COURT
 JUNE 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 157,385	\$ -	\$ 157,385
Capital assets, net of accumulated depreciation of \$377,893	-	10,483	10,483
Total Assets	<u>157,385</u>	<u>10,483</u>	<u>167,868</u>
<u>DEFERRED OUTFLOWS</u>			
	-	124,611	124,611
<u>LIABILITIES</u>			
	-	307,474	307,474
<u>DEFERRED INFLOWS</u>			
	-	72,574	72,574
<u>FUND BALANCE</u>			
Unassigned	<u>157,385</u>	<u>(157,385)</u>	<u>-</u>
Total Fund Balance	<u><u>157,385</u></u>	<u><u>(157,385)</u></u>	<u><u>-</u></u>
<u>NET POSITION</u>			
Net invested in capital assets	-	-	10,483
Unrestricted	-	-	(98,052)
Total Net Position	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (87,569)</u></u>

CITY OF ZACHARY, LOUISIANA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES/STATEMENT OF ACTIVITIES - COMPONENT UNIT
 CITY COURT
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<u>EXPENDITURES/EXPENSES</u>			
Judiciary:			
Personal services and benefits	\$ 137,173	\$ 24,575	\$ 161,748
Travel and professional development	297	-	297
Operating services	184,762	-	184,762
Supplies	67,023	-	67,023
Intergovernmental (to City of Zachary)	214,327	-	214,327
Capital outlay	-	-	-
Depreciation	-	15,550	15,550
Total Expenditures/Expenses	<u>603,582</u>	<u>40,125</u>	<u>643,707</u>
<u>PROGRAMS REVENUES AND COLLECTIONS</u>			
Criminal Fees	714,097	-	714,097
Total Program Revenues	<u>714,097</u>	<u>-</u>	<u>714,097</u>
Net Program Costs	<u>110,515</u>	<u>(40,125)</u>	<u>70,390</u>
<u>GENERAL REVENUES</u>			
Investment earnings	<u>-</u>	<u>-</u>	<u>-</u>
<u>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</u>			
	110,515	(40,125)	70,390
Transfers to General Fund	(112,843)	-	(112,843)
<u>FUND BALANCE/NET POSITION:</u>			
Beginning of the Year	<u>159,713</u>	<u>(204,829)</u>	<u>(45,116)</u>
End of the Year	<u>\$ 157,385</u>	<u>\$ (244,954)</u>	<u>\$ (87,569)</u>

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEADS
FOR THE YEAR ENDED JUNE 30, 2020**

AGENCY HEAD: David Amrhein, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 97,833
Benefits - insurance	11,047
Benefits - retirement	27,121
Benefits - other	187
Travel	564
Fuel	715
Vehicle Maintenance	11,855
Meals and reimbursements	128
Phone Allowance	1,805
Total	\$ 151,255

AGENCY HEAD: David McDavid, Chief of Police

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 84,002
Benefits - insurance	11,093
Benefits - retirement	29,242
Travel/Training	4,567
Fuel	1,919
Chief Expense	2,112
Phone Allowance	527
Total	\$ 133,462

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF COMPENSATION OF BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2020**

		<u>Gross Compensation during the year ended 6/30/20</u>
<u>Council Members (Term):</u>		
Brandon Noel	\$	4,723
Francis Nezianaya		11,164
Laura O'Brien		11,164
Thomas Hunter Landry		10,279
Lael Montgomery		10,279
Donald Morgan		<u>3,909</u>
	<u>\$</u>	<u>51,518</u>

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 2020**

Name of Insurer	Expiration Date	Type of Coverage	Coverage Limits
Princeton Excess	11/1/2020	General liability building	\$ 3,000,000
Princeton Excess	11/1/2020	Employee practices liability	\$ 3,000,000
Princeton Excess	11/1/2020	Auto liability	\$ 3,000,000
Princeton Excess	11/1/2020	Law Enforcement liability	\$ 3,000,000
Princeton Excess	11/1/2020	Public official	\$ 3,000,000
Southern Insurance (Republic Group)	11/1/2020	Crime	
		Employee theft	\$ 250,000
		Forgery/Alteration	\$ 250,000
		Money & Securities:	
		Inside premises	\$ 10,000
		Outside premises	\$ 5,000
		Computer Fraud	\$ 250,000
		Funds transfer fraud	\$ 250,000
Louisiana Workers Compensation Corp.	1/1/2020	Workers compensation	Statutory limits
Southern Insurance (Republic Group)	11/1/2020	Auto physical damage & scheduled autos	ACV

PERFORMANCE AND STATISTICAL DATA

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF UTILITY STATISTICS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>		<u>2019</u>
Gas customer data are as follows:			
Gas sales	\$ 2,345,348	\$	2,663,499
Gas purchased	\$ 554,352	\$	932,777
MCF gas sold	219,254		243,258
Number of customers at year end	5,241		4,944
MCF gas purchased	224,778		259,999
MCF gas unaccounted for	5,524		16,741
Average monthly billing per customer	\$ 37.61	\$	44.89
Water customer data are as follows:			
Water sales	\$ 2,796,446	\$	2,796,446
Thousands of gallons of water sold	745,472		792,816
Number of customers at year end	8,291		8,081
Average monthly billing per customer	\$ 27.50	\$	28.84
Sewer customer data are as follows:			
Sewer sales	\$ 1,222,724	\$	1,103,472
Number of customers at year end	5,913		6,028
Average monthly billing per customer	\$ 17.24	\$	15.25

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

BAXLEY AND ASSOCIATES, LLC

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Margaret A. Pritchard, CPA/CGMA
Matthew L. Berthelot, CPA

Staci H. Joffrion, CPA/CGMA

Hugh F. Baxley, CPA/CGMA – Retired

SCHEDULE 11

The Honorable Mayor David Amrhein
And Members of the Council
City of Zachary, Louisiana

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit (City Court), each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Zachary, Louisiana's basic financial statements and have issued our report thereon dated December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Zachary, Louisiana'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 City of Zachary, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Zachary, Louisiana's internal control.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Zachary, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item [2020-001].

City of Zachary, Louisiana's Response to Findings

City of Zachary, Louisiana's responses to the findings identified in our audit are described in the accompanying Management's Corrective Action Plan. City of Zachary, Louisiana's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Baxley & Associates, LLC

Plaquemine, Louisiana
December 1, 2020

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiency identified that is not considered to be material weaknesses? _____ X yes _____ no
- Noncompliance material to financial statements noted? _____ yes X no

B. FINDINGS - FINANCIAL STATEMENTS AUDIT FINDINGS

2020-001 BUDGET

Condition

In the General Fund, actual expenditures exceeded budgeted expenditures by 11% in the Fire Department and 6% in the Sanitation Department. In the Special Revenue Fund (Streets), actual expenditures exceeded budgeted expenditures by more than 100%.

Criteria

The Local Government Budget Act, found in Revised Statute 39:1301-1315, directs political subdivisions of the State as to the manner in which the budget of the political subdivisions shall be adopted, implemented, and amended. Louisiana Revised Statute 39:1310 requires that budgets be adopted for General and Special Revenue Funds and their amendments be made properly adopted when variances to budget amounts are in excess of five (5) percent.

Effect

The condition has no effect on the financial statements of the City.

Recommendation

We recommend that management implement procedures to monitor budget to actual comparisons and amend budgets as necessary to comply with the Louisiana Local Government Budget Act.

CITY OF ZACHARY, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020

2020-001

Management's Response and Corrective Action Plan

Budget adjustments are presented to Council at the last meeting in June, and are based on actual data through May. Projections are made, and best estimates are recorded. The CFO will continue to make inquiries and attempt to project final balances in order to make the proper budget adjustments for the year.

Name and Title of Contact Person

Deanna Mankins, CPA, Chief Financial Officer

**CITY OF ZACHARY, LOUISIANA
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

2019-001 PROPER FUND CLASSIFICATION

Condition

It was noted that cash balances, revenues, and expenses related to Debt Service Fund-Hotel were incorrectly recorded in the General Fund. It was also noted grant income of \$247,782 related to a Utility Fund project was recorded in the General Fund.

Recommendation

Management should review interim financial statements to ensure that transactions are recorded in the proper fund.

Current Status

This was corrected during the current year.

2019-002 UNRECORDED TRANSACTIONS

Condition

In performing audit procedures on the Utility Fund, it was noted that a grant receivable of \$176,402 and a payable of \$521,087 related to a Utility Fund project were not recorded at year-end. An audit entry was made to correct this deficiency. There was also a payable of \$50,500 for inventory items that was not recorded. This entry remains uncorrected. The inventory was adjusted through expense accounts at year end to include the purchases; however, the payable and corresponding expenditure had not been previously recorded.

Recommendation

Management should review purchase orders, invoices and requests for reimbursements at year end and in the subsequent period to determine if accruals should be made.

Current Status

This was corrected during the current year.

2019-003 BANK RECONCILIATION

Condition

It was noted that some of the bank reconciliations in the City Court did not agree with the amounts in the general ledger.

Recommendation

Reconciliations should be prepared monthly and compared to the transactions recorded per the books to ensure that the bank reconciliation agrees to the general ledger. Timely reconciliation facilitates the correction of any difference that may exist.

Current Status

This was corrected during the current year.

CITY OF ZACHARY, LOUISIANA
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

2019-004 IMPROPER CLASSIFICATION OF EXPENSES

Condition

During expenditure testing, it was noted that invoices from the same vendor with the same description of services were recorded in separate expense accounts.

Recommendation

Controls should be implemented to ensure proper and consistent expense account coding throughout the year.

Current Status

This was corrected during the current year.