

**City of Springhill  
Springhill, Louisiana**

**Financial Statements with Auditors' Report**

**As of and For the Year Ended June 30, 2017**

# COOK & MOREHART

*Certified Public Accountants*

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CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

The Honorable Carroll Breaux, Mayor  
and Members of the City Council  
City of Springhill  
Springhill, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Springhill, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Springhill's primary government, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## **Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units**

The financial statements do not include financial data for the City of Springhill's aggregate discretely presented component units. Accounting principles generally accepted in the United States of America require the financial data for the component units to be reported with the financial data of the City's primary government unless the City of Springhill also issues financial statements for the financial reporting entity that include the financial data for its component units. The City of Springhill has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the government-wide financial statements has not been determined.

## **Adverse Opinion**

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Springhill, as of June 30, 2017 or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springhill as of June 30, 2017, 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 – 10, budgetary comparison information on pages 55 – 56, schedule of proportionate share of net pension liability on page 57, and schedule of contributions on page 58 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

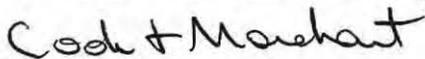
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Springhill's basic financial statements. The accompanying other supplementary information listed in the table of contents and shown on pages 59 - 65 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, shown on page 66, is presented for purposes of additional analysis and is also not a required part of the basic financial

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, on our consideration of the City of Springhill, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Springhill's internal control over financial reporting and compliance.

  
Cook & Morehart  
Certified Public Accountants  
December 19, 2017

## CITY OF SPRINGHILL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Springhill's financial performance provides an overview of the City of Springhill's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the City's financial statements, which begin on page 11.

#### FINANCIAL HIGHLIGHTS

- The City of Springhill's net position of our governmental activities increased by \$478,573 or 4%.
- The City of Springhill's net position of our business-type activities decreased by \$281,103 or 2%.
- In the City's governmental activities, total general and program revenues were \$4,265,633 in 2017 compared to \$4,615,100 in 2016. Total expenses, excluding depreciation, totaled \$3,524,656 for the year ended June 30, 2017 compared to \$3,436,487 for 2016.
- In the City's business-type activities, revenues decreased by \$347,904 in 2017 due in large part to a decrease in capital grants.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) provide information about the activities of the City of Springhill as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City of Springhill's operations in more detail than the government-wide statements by providing information about the City of Springhill's most significant funds.

#### Reporting the City of Springhill as a Whole

Our analysis of the City of Springhill as a whole begins on page 11. One of the most important questions asked about the City of Springhill's finances is "Is the City of Springhill as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the funds maintained by the City of Springhill as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City of Springhill's *net position* and changes in them. You can think of the City of Springhill's net position – the difference between assets and liabilities – as one way to measure the City of Springhill's financial health, or *financial position*. Over time, *increases* or *decreases*

in the City of Springhill's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities – Most of the City's basic services are reported here, including the police, public works, and general administration. Property taxes, franchise fees, sales taxes, and police department fines, and various other revenues finance most of these activities.

Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.

### **Reporting the City's Most Significant Funds**

Our analysis of the major funds maintained by the City of Springhill begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds maintained by the City of Springhill – not the City of Springhill as a whole. The City of Springhill's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the City of Springhill's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City of Springhill's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain City of Springhill expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## THE CITY OF SPRINGHILL AS A WHOLE

The City of Springhill's combined net position changed from a year ago, increasing from \$26,064,390 to \$26,261,860. A comparative analysis of the funds maintained by the City of Springhill is presented below.

**Table 1**  
**Net Position**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 6,742,610	\$ 8,048,056	\$ 5,129,167	\$ 5,497,384	\$ 11,871,777	\$ 13,545,440
Capital assets	13,120,233	11,542,577	21,624,907	21,734,128	34,745,140	33,276,705
Total assets	<u>19,862,843</u>	<u>19,590,633</u>	<u>26,754,074</u>	<u>27,231,512</u>	<u>46,616,917</u>	<u>46,822,145</u>
Deferred Outflows of Resources						
Pension related	1,107,419	890,640	271,122	195,215	1,378,541	1,085,855
Current liabilities	436,779	577,878	519,371	478,458	956,150	1,056,336
Long-term liabilities	8,159,017	7,922,213	12,306,107	12,456,651	20,465,124	20,378,864
Total liabilities	<u>8,595,796</u>	<u>8,500,091</u>	<u>12,825,478</u>	<u>12,935,109</u>	<u>21,421,274</u>	<u>21,435,200</u>
Deferred Inflows of Resources						
Pension related	289,447	374,736	22,877	33,674	312,324	408,410
Net position:						
Net investment						
in capital assets	7,830,233	7,496,588	10,018,923	9,880,607	17,849,156	17,377,195
Restricted	4,475,170	4,891,981	972,782	2,934,110	5,447,952	7,826,091
Unrestricted	(220,384)	(782,123)	3,185,136	1,643,227	2,964,752	861,104
Total net position	<u>\$ 12,085,019</u>	<u>\$ 11,606,446</u>	<u>\$ 14,176,841</u>	<u>\$ 14,457,944</u>	<u>\$ 26,261,860</u>	<u>\$ 26,064,390</u>

Net position of the City of Springhill's governmental activities increased by \$478,573 or 4%. Net position of the City of Springhill's business-type activities decreased by \$281,103 or 2%.

**Table 2**  
**Change in Net**  
**Position**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
<b>Programs revenues</b>						
Charges for services	\$ 344,745	\$ 330,283	\$1,934,523	\$ 1,811,614	\$2,279,268	\$ 2,141,897
Operating grants and contributions	218,605	248,714			218,605	248,714
Capital grants and contributions	219,403	536,041	834,727	617,953	1,054,130	1,153,994
<b>General revenues</b>						
Ad Valorem taxes	223,868	213,319			223,868	213,319
Sales taxes	2,404,057	2,429,170			2,404,057	2,429,170
Franchise taxes	150,505	155,260			150,505	155,260
Other taxes	6,233	9,135			6,233	9,135
License and permits	205,266	222,989			205,266	222,989
Gaming taxes	301,531	300,498			301,531	300,498
Rent		26,949			-	26,949
Oil and gas	32,988	17,283			32,988	17,283
Investment earnings	7,579	7,535	6,156	5,635	13,735	13,170
Miscellaneous	150,853	117,924	7,700		158,553	117,924
<b>Total Revenues</b>	<b>4,265,633</b>	<b>4,615,100</b>	<b>2,783,106</b>	<b>2,435,202</b>	<b>7,048,739</b>	<b>7,050,302</b>
<b>Expenses</b>						
General government	819,576	716,408			819,576	716,408
Public safety	1,473,457	1,424,914			1,473,457	1,424,914
Parks and recreation	127,958	138,145			127,958	138,145
Waste collection services	289,553	274,736			289,553	274,736
Streets	601,287	695,933			601,287	695,933
Airport	146,490	139,181			146,490	139,181
Transportation	50,174	44,937			50,174	44,937
Maintenance	176,991	123,176			176,991	123,176
Ward court	143,890	153,180			143,890	153,180
Driver's license bureau	7,442	11,021			7,442	11,021
Interest on long term deb	150,918	138,125			150,918	138,125
Water and sewer			2,670,267	2,580,095	2,670,267	2,580,095
Community activities			170,976	183,445	170,976	183,445
Cemetery			12,005	13,738	12,005	13,738
<b>Total expenses</b>	<b>3,987,736</b>	<b>3,859,756</b>	<b>2,853,248</b>	<b>2,777,278</b>	<b>6,840,984</b>	<b>6,637,034</b>
Loss on sale of asset	(10,285)	(411,048)			(10,285)	(411,048)
Transfers	210,961	(977,106)	(210,961)	977,106		
<b>Increase (decrease) in net position</b>	<b>\$ 478,573</b>	<b>\$ (632,810)</b>	<b>\$ (281,103)</b>	<b>\$ 635,030</b>	<b>\$ 197,470</b>	<b>\$ 2,220</b>

The City's total revenues remained consistent from 2016 to 2017. The total cost of all programs and services increased 3% or \$203,950. Our analysis below separately considers the operations of the governmental and business-type activities.

## **Governmental Activities**

Total revenues for the governmental activities decreased \$349,467 from total revenues in the year ended June 30, 2016 of \$4,615,100 to total revenues of \$4,265,633 in the year ended June 30, 2017.

The cost of all governmental activities this year was \$3,987,736. These costs were covered by \$782,753 of program revenues, with the remaining costs covered by property taxes, sales taxes, and other general revenues.

## **Business-type Activities**

Total revenues for the business-type activities increased \$347,904 or 14% from total revenues in the year ended June 30, 2016 of \$2,435,202 to total revenues of \$2,783,106 in the year ended June 30, 2017.

The cost of all business-type activities this year was \$2,853,248. These costs were covered by \$2,769,250 of program revenues, consisting of charges for services assessed to users and capital grants.

## **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a *combined* fund balance of \$6,366,484, which is less than last year's fund balance of \$7,527,763. The primary reason for this decrease is an increase in capital outlay as a result of an airport project and road overlay project.

### **General Fund Budgetary Highlights**

The City adopted a budget for its General Fund for the year ended June 30, 2017. There was one amendment to the budget during the year. The City's budgetary comparison is presented as required supplementary information and shown on page 55. Highlights for the year are as follows:

- Actual revenues exceeded budgeted amounts by \$163,048.
- Actual expenditures were more than budgeted amounts by \$285,744, due to capital outlay expenditures not being fully budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 30, 2017 and 2016, the City of Springhill had invested \$34,745,140 and \$33,276,705, respectively in capital assets. (see table 3 below)

**Table 3**  
**Capital Assets At Year End**  
**(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 489,214	\$ 378,557	\$ 48,490	\$ 48,490	\$ 537,704	\$ 427,047
Construction in progress	525,294	2,911,806	60,374	101,463	585,668	3,013,269
Buildings	2,698,334	1,110,640	1,133,113	1,183,136	3,831,447	2,293,776
Infrastructure	8,653,101	6,771,399			8,653,101	6,771,399
Furniture and fixtures				6,383		6,383
Improvements other than buildings	447,750	59,200	1,120	6,701	448,870	65,901
Equipment	306,540	310,975	200,605	196,787	507,145	507,762
Vehicles			57,958	46,904	57,958	46,904
Sewer system			4,809,113	5,074,169	4,809,113	5,074,169
Water system			15,314,134	15,070,095	15,314,134	15,070,095
Total assets(net)	<u>\$ 13,120,233</u>	<u>\$ 11,542,577</u>	<u>\$ 21,624,907</u>	<u>\$ 21,734,128</u>	<u>\$ 34,745,140</u>	<u>\$ 33,276,705</u>

This years major additions included:

Land	\$ 146,737	\$
Water system		910,274
Buildings	1,250,663	
Construction in progress	76,142	7,134
Infrastructure	146,774	
Improvements other than buildings	388,051	
Equipment	42,654	27,946
Vehicles		19,000
Total	<u>\$ 2,051,021</u>	<u>\$ 964,354</u>

More detailed information about the capital assets are presented in Note 4 to the financial statements.

## Debt

At year-end, the City had \$20,477,980 in bonds, notes, and other long-term liabilities outstanding, versus \$20,378,864 last year – an increase of 1%.

**Table 4**  
**Outstanding Debt At Year End**

	Governmental Activities		Business-Type Activity		Totals	
	2017	2016	2017	2016	2017	2016
Net pension liability	\$ 2,848,077	\$ 2,428,161	\$ 701,107	\$ 609,093	\$ 3,549,184	\$ 3,037,254
Sales tax bonds	5,290,000	5,480,000			5,290,000	5,480,000
General obligation bonds			226,000	278,000	226,000	278,000
Compensated absences	26,000	14,052	7,796		33,796	14,052
Water revenue bonds			11,379,000	11,569,558	11,379,000	11,569,558
	<u>\$ 8,164,077</u>	<u>\$ 7,922,213</u>	<u>\$ 12,313,903</u>	<u>\$ 12,456,651</u>	<u>\$ 20,477,980</u>	<u>\$ 20,378,864</u>

State law restricts the amount of debt that the City of Springhill may issue. The aggregate principal amount of debt may not exceed 10% of the assessed valuation for property tax purposes of all real and personal property located within the parish. The City of Springhill's total debt outstanding at year-end was below this limitation.

More detailed information about the debt is presented in Note 8 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City of Springhill's management considered many factors when setting a fiscal year June 30, 2018 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same.

Expenditures for 2018 are expected to remain substantially the same.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the City of Springhill and to show the City of Springhill's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor at City of Springhill, 101 Machen Dr.; Springhill, La 71075.

City of Springhill  
Springhill, Louisiana  
Statement of Net Position  
June 30, 2017

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,817,156	\$ 4,247,067	\$ 9,064,223
Restricted cash and cash equivalents	10,892	993,389	1,004,281
Investments	615,000	122,815	737,815
Restricted investments	261,030	75,735	336,765
Prepays	44,906	27,100	72,006
Receivables	358,871	235,998	594,869
Inventories	4,207	57,611	61,818
Internal balances	630,548	(630,548)	
Capital assets not being depreciated	1,014,508	108,864	1,123,372
Depreciable capital assets, net	12,105,725	21,516,043	33,621,768
Total assets	<u>19,862,843</u>	<u>26,754,074</u>	<u>46,616,917</u>
<b>Deferred Outflows of Resources</b>			
Pension related	<u>1,107,419</u>	<u>271,122</u>	<u>1,378,541</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	436,779	336,979	773,758
Unearned revenue		12,000	12,000
Payable from restricted assets:			
Customer deposits		170,392	170,392
Non-current liabilities:			
Due within one year	270,940	619,322	890,262
Due in more than one year	7,888,077	11,686,785	19,574,862
Total liabilities	<u>8,595,796</u>	<u>12,825,478</u>	<u>21,421,274</u>
<b>Deferred Inflows of Resources</b>			
Pension related	<u>289,447</u>	<u>22,877</u>	<u>312,324</u>
<b>Net Position</b>			
Net investment in capital assets	7,830,233	10,018,923	17,849,156
Restricted for:			
Debt service	200,376	898,733	1,099,109
Capital improvements	3,466,719		3,466,719
Sewer, water, garbage, public safety, parks and recreation, and streets	776,035		776,035
Perpetual care		74,049	74,049
Public safety	32,040		32,040
Unrestricted	(220,384)	3,185,136	2,964,752
Total net position	<u>\$ 12,085,019</u>	<u>\$ 14,176,841</u>	<u>\$ 26,261,860</u>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Statement of Activities  
For the Year Ended June 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions / Programs:</b>							
<b>Governmental Activities</b>							
General government	\$ 819,576	\$ 29,409	\$ 21,823	\$	\$ (768,344)	\$	\$ (768,344)
Public safety	1,473,457	38,677	167,422		(1,267,358)		(1,267,358)
Parks and recreation	127,958				(127,958)		(127,958)
Waste collection services	289,553	276,659			(12,894)		(12,894)
Streets	601,287		23,360		(577,927)		(577,927)
Airport	146,490			219,403	72,913		72,913
Transportation	50,174				(50,174)		(50,174)
Maintenance	176,991				(176,991)		(176,991)
Ward court	143,890		6,000		(137,890)		(137,890)
Driver's license bureau	7,442				(7,442)		(7,442)
Interest on long-term debt	150,918				(150,918)		(150,918)
Total governmental activities	<u>3,987,736</u>	<u>344,745</u>	<u>218,605</u>	<u>219,403</u>	<u>(3,204,983)</u>		<u>(3,204,983)</u>
<b>Business-type Activities</b>							
Water and sewer	2,670,267	1,853,623		834,727		18,083	18,083
Community activities	170,976	53,306				(117,670)	(117,670)
Cemetery	12,005	27,594				15,589	15,589
Total business-type activities	<u>2,853,248</u>	<u>1,934,523</u>		<u>834,727</u>		<u>(83,998)</u>	<u>(83,998)</u>
Total Government	<u>\$ 6,840,984</u>	<u>\$ 2,279,268</u>	<u>\$ 218,605</u>	<u>\$ 1,054,130</u>	<u>(3,204,983)</u>	<u>(83,998)</u>	<u>(3,288,981)</u>
General revenues:							
Ad valorem taxes					223,868		223,868
Sales taxes					2,404,057		2,404,057
Franchise taxes					150,505		150,505
Other taxes					6,233		6,233
Licenses and permits					205,266		205,266
Gaming taxes					301,531		301,531
Oil and gas					32,988		32,988
Investment earnings					7,579	6,156	13,735
Miscellaneous					150,853	7,700	158,553
Loss on sale of asset					(10,285)		(10,285)
Transfers					210,961	(210,961)	
Total general revenues and transfers					<u>3,683,556</u>	<u>(197,105)</u>	<u>3,486,451</u>
Change in net position					478,573	(281,103)	197,470
Net position - beginning					11,606,446	14,457,944	26,064,390
Net position - ending					<u>\$ 12,085,019</u>	<u>\$ 14,176,841</u>	<u>\$ 26,261,860</u>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Balance Sheet  
Governmental Fund  
June 30, 2017

	General Fund	Sales Tax	Capital Projects	Other Governmental Funds	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,719,486	\$ 3,097,669	\$ 1	\$	\$ 4,817,156
Restricted cash and cash equivalents	10,892				10,892
Investments	215,000	400,000			615,000
Restricted investments				261,030	261,030
Accounts receivable	146,657	212,214			358,871
Inventory	4,207				4,207
Prepaid	44,906				44,906
Due from other funds	94,706	535,842			630,548
<b>Total assets</b>	<u>\$ 2,235,854</u>	<u>\$ 4,245,725</u>	<u>\$ 1</u>	<u>\$ 261,030</u>	<u>\$ 6,742,610</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 350,105	\$ 2,971	\$	\$	\$ 353,076
Bond due to city court	23,050				23,050
<b>Total liabilities</b>	<u>373,155</u>	<u>2,971</u>			<u>376,126</u>
<b>Fund balances:</b>					
Non spendable	49,113				49,113
Restricted	32,040	4,242,754		261,030	4,535,824
Committed	38,544				38,544
Assigned	508,305				508,305
Unassigned	1,234,697		1		1,234,698
<b>Total fund balances</b>	<u>1,862,699</u>	<u>4,242,754</u>	<u>1</u>	<u>261,030</u>	<u>6,366,484</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,235,854</u>	<u>\$ 4,245,725</u>	<u>\$ 1</u>	<u>\$ 261,030</u>	<u>\$ 6,742,610</u>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2017

Fund balances - total governmental funds	\$	6,366,484
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		13,120,233
<p>Other long-term assets and other amounts are not available to pay for current-period expenditures and therefore are unavailable in the funds.</p> <p style="padding-left: 20px;">Deferred outflows - pension related</p>		1,107,419
<p>Long-term liabilities and other amounts are not due and payable in the current period and therefore are not reported in the funds.</p> <p style="padding-left: 20px;">Bonds payable</p> <p style="padding-left: 20px;">Accrued interest</p> <p style="padding-left: 20px;">Compensated absences</p> <p style="padding-left: 20px;">Net pension liability</p> <p style="padding-left: 20px;">Deferred inflows - pension related</p>		(5,290,000) (60,653) (20,940) (2,848,077) (289,447)
Net position of governmental activities	\$	12,085,019

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
For the Year Ended June 30, 2017

	General Fund	Sales Tax	Capital Projects	Other Governmental Funds	Totals
<b>Revenues:</b>					
Ad valorem taxes	\$ 223,868	\$	\$	\$	\$ 223,868
Sales tax		2,404,057			2,404,057
Franchise taxes	150,505				150,505
Other taxes	6,233				6,233
Licenses and permits	205,266				205,266
Waste collection services	276,659				276,659
Gaming taxes	301,531				301,531
Intergovernmental revenues	388,954				388,954
Fines and forfeitures	38,677				38,677
Investment earnings	2,837	4,484	37	221	7,579
Rental of facilities	29,409				29,409
Oil and gas	32,988				32,988
Miscellaneous	150,243				150,243
Total revenues	<u>1,807,170</u>	<u>2,408,541</u>	<u>37</u>	<u>221</u>	<u>4,215,969</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	1,007,141	37,075			1,044,216
Public safety	1,336,532				1,336,532
Parks and Recreation	102,153				102,153
Streets	344,069				344,069
Airport	20,364				20,364
Ward court	137,677				137,677
Transportation	47,018				47,018
Maintenance	161,356				161,356
Driver license bureau	7,442				7,442
Capital outlay	892,797		1,158,224		2,051,021
<b>Debt service:</b>					
Principal retirement				190,000	190,000
Interest and other charges				147,849	147,849
Total expenditures	<u>4,056,549</u>	<u>37,075</u>	<u>1,158,224</u>	<u>337,849</u>	<u>5,589,697</u>
Excess (deficiency) of revenues over expenditures	(2,249,379)	2,371,466	(1,158,187)	(337,628)	(1,373,728)
<b>Other financing sources (uses):</b>					
Sales of assets	1,488				1,488
Transfers in	2,665,997		1,158,188	388,399	4,212,584
Transfers out	(1,206,323)	(2,795,300)			(4,001,623)
Total other financing sources (uses)	<u>1,461,162</u>	<u>(2,795,300)</u>	<u>1,158,188</u>	<u>388,399</u>	<u>212,449</u>
Net change in fund balance	(788,217)	(423,834)	1	50,771	(1,161,279)
Fund balances at beginning of year	2,650,916	4,666,588		210,259	7,527,763
Fund balances at end of year	<u>\$ 1,862,699</u>	<u>\$ 4,242,754</u>	<u>\$ 1</u>	<u>\$ 261,030</u>	<u>\$ 6,366,484</u>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, 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, 2017

Net change in fund balances - total governmental funds \$ (1,161,279)

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

Governmental funds report capital outlays 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. This is the amount by which capital outlays (\$2,051,021) exceeded depreciation (\$463,080) in the current period. 1,587,941

The net effect of various transactions involving capital assets (sales, trade-ins, donated infrastructure, etc.) is to decrease net position. (10,285)

The repayment of principal of long-term debt consumes current financial resources of governmental funds. 190,000

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 49,054

Accrued interest expense on long-term debt is reported in the government-wide Statement of Activities, but does not require the use of financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. (3,069)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Compensated absences (6,887)

Pension expense (166,902)

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Change in net position of governmental activities \$ 478,573

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Statement of Net Position  
Proprietary Funds  
June 30, 2017

	Business-Type Activities - Enterprise Funds		
	Water and Sewer Fund	Other Enterprise Funds	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 3,937,169	\$ 309,898	\$ 4,247,067
Restricted cash and cash equivalents	94,710		94,710
Investments	122,815		122,815
Restricted investments	75,735		75,735
Accounts receivable	226,424	9,574	235,998
Inventories		57,611	57,611
Prepays	27,100		27,100
Due from other funds		26	26
<b>Total current assets</b>	<b>4,483,953</b>	<b>377,109</b>	<b>4,861,062</b>
Noncurrent assets:			
Restricted cash and cash equivalents	898,679		898,679
Capital assets:			
Land	48,490		48,490
Construction in progress	60,374		60,374
Plant and equipment	30,536,687	2,452,811	32,989,498
Less: accumulated depreciation	(10,221,640)	(1,251,815)	(11,473,455)
<b>Total noncurrent assets</b>	<b>21,322,590</b>	<b>1,200,996</b>	<b>22,523,586</b>
<b>Total assets</b>	<b>25,806,543</b>	<b>1,578,105</b>	<b>27,384,648</b>
<b>Deferred Outflows of Resources</b>			
Pension related	271,122		271,122
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	100,369	24,478	124,847
Due to other funds	625,378	5,196	630,574
Unearned revenue	12,000		12,000
Payable from restricted assets:			
Revenue bonds	564,322		564,322
General obligation bonds	55,000		55,000
Accrued interest	212,132		212,132
Customer deposits	170,392		170,392
<b>Total current liabilities</b>	<b>1,739,593</b>	<b>29,674</b>	<b>1,769,267</b>
Noncurrent liabilities:			
Net pension liability	701,107		701,107
Revenue bonds	10,814,678		10,814,678
General obligation bonds	171,000		171,000
<b>Total noncurrent liabilities</b>	<b>11,686,785</b>		<b>11,686,785</b>
<b>Total liabilities</b>	<b>13,426,378</b>	<b>29,674</b>	<b>13,456,052</b>
<b>Deferred Inflows of Resources</b>			
Pension related	22,877		22,877
<b>Net position</b>			
Net investment in capital assets	8,817,927	1,200,996	10,018,923
Restricted for:			
Debt service	898,733		898,733
Perpetual care		74,049	74,049
Unrestricted	2,911,750	273,386	3,185,136
<b>Total net position</b>	<b>\$ 12,628,410</b>	<b>\$ 1,548,431</b>	<b>\$ 14,176,841</b>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		<u>Totals</u>
	<u>Water and Sewer Fund</u>	<u>Other Enterprise Funds</u>	
Operating revenues:			
Charges for service -			
Water sales	\$ 1,015,629	\$	\$ 1,015,629
Sewerage service charges	783,577		783,577
Cemetery assessments		24,443	24,443
Other charges and fees	54,417	3,151	57,568
Sale of cemetery lots		7,700	7,700
Rental of facilities		53,306	53,306
Total operating revenues	<u>1,853,623</u>	<u>88,600</u>	<u>1,942,223</u>
Operating expenses:			
Cost of sales and service		1,906	1,906
Water services	671,315		671,315
Sewer services	521,806		521,806
Community activities		108,989	108,989
Cemetery maintenance		3,488	3,488
General and administrative	14,955	6,535	21,490
Depreciation	1,011,511	62,063	1,073,574
Total operating expenses	<u>2,219,587</u>	<u>182,981</u>	<u>2,402,568</u>
Operating income (loss)	<u>(365,964)</u>	<u>(94,381)</u>	<u>(460,345)</u>
Non-operating revenues (expenses):			
Interest income	5,841	315	6,156
Interest expense	(450,680)		(450,680)
Total non-operating revenues (expenses)	<u>(444,839)</u>	<u>315</u>	<u>(444,524)</u>
Net income (loss) before contributions and transfers	(810,803)	(94,066)	(904,869)
Capital contributions	834,727		834,727
Transfers in	83,001	53,861	136,862
Transfers out	(328,277)	(19,546)	(347,823)
Total other financing sources (uses)	<u>589,451</u>	<u>34,315</u>	<u>623,766</u>
Change in net position	(221,352)	(59,751)	(281,103)
Net position - beginning of year	<u>12,849,762</u>	<u>1,608,182</u>	<u>14,457,944</u>
Net position - end of year	<u>\$ 12,628,410</u>	<u>\$ 1,548,431</u>	<u>\$ 14,176,841</u>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2017

	Water and Sewer	Non Major Funds	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 1,818,022	\$ 27,038	\$ 1,845,060
Other receipts	54,417	59,452	113,869
Cash payments to suppliers for goods and services	(757,000)	(105,067)	(862,067)
Cash payments to employees for services	(446,527)		(446,527)
Net Cash From (Used by) Operating Activities	<u>668,912</u>	<u>(18,577)</u>	<u>650,335</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Interfund loans	13,957	1,296	15,253
Transfers from other funds	83,001	53,861	136,862
Transfers to other funds	(328,277)	(19,546)	(347,823)
Net Cash from Noncapital Financing Activities	<u>(231,319)</u>	<u>35,611</u>	<u>(195,708)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Capital Contributions	1,054,540		1,054,540
Acquisition/construction of capital assets	(935,424)	(27,946)	(963,370)
Proceeds from capital debt	5,495,000		5,495,000
Principal paid on capital debt	(5,737,558)		(5,737,558)
Interest paid on capital debt	(462,221)		(462,221)
Net Cash (Used By) Capital and Related Financing Activities	<u>(585,663)</u>	<u>(27,946)</u>	<u>(613,609)</u>
<b>Cash Flow From Investing Activities</b>			
Interest income	5,841	315	6,156
Purchase of investments	(147)		(147)
Net Cash From (Used by) Investing Activities	<u>5,694</u>	<u>315</u>	<u>6,009</u>
Net (decrease) in cash and cash equivalents	(142,376)	(10,597)	(152,973)
Cash, Beginning of year	<u>5,072,934</u>	<u>320,495</u>	<u>5,393,429</u>
Cash, End of year	<u>\$ 4,930,558</u>	<u>\$ 309,898</u>	<u>\$ 5,240,456</u>
Cash and cash equivalents are reflected on the Statement of Net Position as follows:			
Cash and cash equivalents	\$ 3,937,169	\$ 309,898	\$ 4,247,067
Cash and cash equivalents - restricted	993,389		993,389
Total	<u>\$ 4,930,558</u>	<u>\$ 309,898</u>	<u>\$ 5,240,456</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By/(Used In) Operating Activities</b>			
Operating income (loss)	\$ (365,964)	\$ (94,381)	\$ (460,345)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation expense	1,011,511	62,063	1,073,574
Accounts receivable	6,426	(555)	5,871
Prepaid expenses	(6,809)		(6,809)
Inventories		(1,554)	(1,554)
Accounts payable	6,892	12,743	19,635
Accrued expenses	(844)		(844)
Customer deposits	390		390
Pension related	5,310		5,310
Unearned revenue	12,000		12,000
Other		3,107	3,107
Net Cash Flows From Operating Activities	<u>\$ 668,912</u>	<u>\$ (18,577)</u>	<u>\$ 650,335</u>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2017

## INTRODUCTION

The City of Springhill is incorporated under the provisions of the Lawrason Act. The City operates under a Mayor–Board of Aldermen form of government. Elected officials of the City consist of the mayor, five (5) aldermen, and the chief of police, who are elected to four-year terms. The affairs of the City are conducted and managed by the mayor and the board of aldermen.

### (1) Summary of Significant Accounting Policies

The City of Springhill's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City of Springhill are discussed below.

#### A. Reporting Entity

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

GASB established criteria for determining which component units should be considered part of the City of Springhill for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

In addition, the GASB states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2017  
(Continued)

2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

Based on the criteria described above, the following were determined to be component units of the City: Springhill City Court and Ward 2 Marshal.

Complete financial statements of the individual component units may be obtained from their respective administration offices or from the City of Springhill.

The City has chosen to issue financial statements of the primary government (City) only; therefore, the previously listed component units are not included in the accompanying financial statements.

The Governmental Accounting Standards Board provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, the primary government's (City) financial statements are not a substitute for the reporting entity's financial statements. The accompanying primary government financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. These financial statements are not intended to and do not report on the reporting entity but rather are intended to reflect only the financial statements of the primary government (City).

**B. Basic Financial Statements – Government-Wide Statements**

The City of Springhill's basic financial statements include both government-wide (reporting the funds maintained by the City of Springhill as a whole) and fund financial statements (reporting the City of Springhill's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general fund, sales tax fund, and debt service funds are classified as governmental activities. The City's water and sewer services, cemetery fund, and community activities fund are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The City of Springhill's net position is reported in three parts – net invested in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the City of Springhill's functions. The functions are also supported by general government revenues

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2017  
(Continued)

(property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants.

Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water and sewer services.

The net costs (by function) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City of Springhill as an entity and the change in the City of Springhill's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City of Springhill are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City of Springhill:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City of Springhill:
  - a. General fund is the general operating fund of the City of Springhill. It is used to account for all financial resources except those required to be accounted for in another fund.
  - b. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City sales tax fund is classified as a special revenue fund.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2017  
(Continued)

- c. Debt service funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The City's 2014 sales tax bonds, 2015 sales tax bonds, and 2016 sales tax bonds funds are considered debt service funds.
  - d. Capital projects fund is used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City of Springhill:
- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City's water/sewer fund, cemetery fund, and community activities fund are classified as enterprise funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

General fund – accounts for all financial resources except those required to be accounted for in another fund.

Sales tax fund – accounts for the proceeds of a 2 1/2 % sales and use tax that is legally restricted for the purposes of constructing, acquiring, extending, improving, operating, and maintaining sewers and sewerage disposal works, waterworks, garbage collection and waste disposal facilities, fire department stations and related facilities, public parks and recreational facilities, streets, alleys, sidewalks and bridges, purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, building improvements and facilities, title to which improvements shall be in the public, the payment of salaries on non-elected municipal employees, police department stations and related facilities, roads, streets and bridges, and other capital improvements for the City, and to the retirement of public improvement bonds, the proceeds of which were used for construction of sewer improvements, or for any one or more of said purposes.

Capital Projects Fund – accounts for financial resources used in various capital projects.

Water and sewer fund – accounts for the provision of water and sewerage services to the residents of the City.

(Continued)

City of Springhill  
Springhill, Louisiana  
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D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Budgets

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

1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to June 30, the budget is legally enacted through the passage of an ordinance.
2. Budgets are adopted on a line item basis. Administrative adjustments can be made on a departmental basis between line item accounts only. Inter-departmental amendments, interfund amendments, and additional appropriations from one fund to another are subject to board approval. The overall level of control is on an inter-departmental basis.
3. Unused appropriations of all of the annually budgeted funds lapse at the end of the fiscal year.
4. Budgets for all funds are adopted on a basis consistent with GAAP. Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen. There was one amendment to the budget during the year.

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F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the City may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the City's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$1 for land, \$1,000 for vehicles, \$5,000 for equipment, \$10,000 for buildings and improvements, and \$25,000 for infrastructure are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City elected not to report major general infrastructure assets retroactively. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Governmental activities:	
Land improvements	20-30 years
Buildings and improvements	7-40 years
Vehicles	5 years
Machinery and equipment	5 years
Business-type activities/enterprise fund:	
Buildings	25 years
Systems and improvements	20-50 years
Machinery and equipment	10-20 years
Vehicles	5 years
Roads	20-50 years

H. Inventory

Inventories in the governmental funds consist of aviation fuel which is valued at cost on a first-in, first out basis. Inventories in the proprietary funds consist primarily of cemetery plots which are valued at cost on a specific identification basis.

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I. Revenues

Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. State law requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. Sales tax revenues and gaming revenues are recorded in the period in which the underlying exchange has occurred.

Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the City is entitled to the funds.

J. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Fund Balance

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
2. Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balances include amounts that can be used only for the specific purposes as a result of constraints imposed by the board of alderman (the City's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of aldermen remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

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5. Unassigned fund balance are the residual classification for the City's general fund and include all spendable amounts not contained in the other classifications.

The City's policy is to apply expenditures against nonspendable fund balances, restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, in that order.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

L. Sales Taxes

On March 30, 1968, the citizens of the City of Springhill approved the assessment of a 1% sales and use tax. Proceeds of this 1% sales and use tax are dedicated to the following purposes: constructing, acquiring, extending, improving, operating, and maintaining sewers and sewerage disposal works, waterworks, garbage collection and waste disposal facilities, fire department stations and related facilities, public parks and recreational facilities, streets, alleys, sidewalks and bridges, purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, building improvements and facilities, title to which improvements shall be in the public; and for the payment of salaries on non-elected municipal employees; or for any one or more of said purposes.

On November 21, 1987, the citizens of the City of Springhill approved the assessment of a 1/2% sales and use tax. Proceeds of this 1/2% sales and use tax are dedicated to the following purposes: constructing, acquiring, extending, improving, operating, and maintaining fire department stations and related facilities, police department stations and related facilities, and public parks and recreational facilities, purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid buildings, improvements and facilities; and for the payment of salaries on non-elected municipal employees; or for any one or more of said purposes.

In November 1991, the citizens of the City of Springhill approved the assessment of an additional 1% sales and use tax. Proceeds of the 1% sales and use tax are dedicated to the following purposes: acquiring, constructing, extending, improving, maintaining and operating sewer and sewerage disposal facilities, roads, streets and bridges, and other capital improvements for the City, and to the retirement of public improvement bonds, the proceeds of which were used for construction of sewer improvements.

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M. Compensated Absences

Compensated vacation time is calculated based on the individual employee's anniversary date. Employees must use their vacation time within one year of their anniversary date or it is forfeited. Vacation time is vested and is paid to an employee upon termination.

Sick pay does not vest with the employee (i.e. is not paid upon termination) and is recognized as an expense by the City when actually used by an employee.

There was a total of \$33,796 of accumulated unpaid vacation as of June 30, 2017. The full liability and related costs are reported in the government-wide financial statements. The accumulated unpaid vacation is a reconciling item between the governmental funds and government-wide statements.

N. Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

O. Use of Estimates

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

P. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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Q. Bad Debts

Uncollectible amounts due for ad valorem taxes, customer's utility receivables, and special assessments are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. Accounts receivable for the water and sewer fund is shown net of an allowance of \$126,260.

R. Capitalized Interest

The City capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

S. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

T. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 (expense/expenditure) until then. The City currently has deferred outflows of resources related to pensions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has deferred inflows of resources related to pensions.

U. Prepaid Items

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

V. Pension Plan

The City is a participating employer in a cost-sharing, multiple-employer, defined benefit pension plan as described in Note 13. 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 plans fiduciary net position have been determined on the same basis as they are reported by the plan.

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(2) Ad Valorem Taxes

The following is a summary of authorized and levied ad valorem taxes for the year:

	Authorized Millage	Levied Millage	Expiration Date
General Fund	7.73	7.73	Statutory
Bond Fund	2.70	2.70	2024

Approximately 27% of the City's ad valorem taxes are derived from 10 taxpayers.

(3) Cash, Cash Equivalents, and Investments

At June 30, 2017, the City has cash, cash equivalents, and investments (book balances) totaling \$11,143,084, as detailed below.

A. Cash and Cash Equivalents

At June 30, 2017, the City has cash and cash equivalents (book balances) totaling \$10,068,504 of which \$1,004,281 is shown as restricted. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

B. Investments

At June 30, 2017, the City has investments totaling \$1,074,580, of which \$336,765 is shown as restricted.

Included in investments at June 30, 2017, are certificates of deposit totaling \$813,497, with maturities greater than 90 days. The certificates of deposit are carried at cost, which approximates market.

Also included in investments at June 30, 2017, are \$261,083 held in money market trust funds invested in U.S. government securities.

C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2017, \$10,471,605 of the City's bank balances was exposed to custodial credit risk as follows:

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Uninsured and collateral held by pledging bank's trust department not in City's name:

Cash and cash equivalents	\$ 9,923,790
Investments	<u>547,815</u>
	<u>\$ 10,471,605</u>

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

D. Restricted Cash and Investments

Restricted cash and investments at June 30, 2017, consisted of amounts received but not yet expended for the following purposes:

Governmental Activities –

Restricted cash

Debt service	\$ <u>10,892</u>
Total – governmental activities	<u>\$ 10,892</u>

Restricted investments

Debt service	\$ <u>261,030</u>
Total – governmental activities	<u>\$ 261,030</u>

Business-type activities –

Restricted cash

Customer deposits	\$ 94,710
Debt service	<u>898,679</u>
Total restricted cash business-type activities	<u>\$ 993,389</u>

Restricted investments

Customer deposits	\$ 75,682
Debt service	<u>53</u>
Total restricted investment business-type activities	<u>\$ 75,735</u>

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City of Springhill  
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Notes to Financial Statements  
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(4) Capital Assets

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

	Balance at July 1, 2016	Additions	Deletions	Transfers	Balance at June 30, 2017
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Construction in progress	\$ 2,911,806	\$ 76,142	\$ (1,412)	\$ (2,497,322)	\$ 489,214
Land	378,557	146,737			525,294
Total capital assets, not being depreciated	<u>3,290,363</u>	<u>222,879</u>	<u>(1,412)</u>	<u>(2,497,322)</u>	<u>1,014,508</u>
Capital assets, being depreciated:					
Buildings	1,972,679	1,250,663		389,331	3,612,673
Infrastructure	8,730,866	146,774		2,098,925	10,976,565
Improvements other than buildings	161,253	388,051		9,066	558,370
Equipment	1,494,922	42,654	(88,727)		1,448,849
Total capital assets, being depreciated, at historical cost	<u>12,359,720</u>	<u>1,828,142</u>	<u>(88,727)</u>	<u>2,497,322</u>	<u>16,596,457</u>
Less accumulated depreciation:					
Buildings	(862,039)	(52,300)			(914,339)
Infrastructure	(1,959,467)	(363,997)			(2,323,464)
Improvements other than buildings	(102,053)	(8,567)			(110,620)
Equipment	(1,183,947)	(38,216)	79,854		(1,142,309)
Total accumulated depreciation	<u>(4,107,506)</u>	<u>(463,080)</u>	<u>79,854</u>		<u>(4,490,732)</u>
Total capital assets, being depreciated, net	<u>8,252,214</u>	<u>1,365,062</u>	<u>(8,873)</u>	<u>2,497,322</u>	<u>12,105,725</u>
Governmental activities capital assets, net	<u>\$ 11,542,577</u>	<u>\$ 1,587,941</u>	<u>\$ (10,285)</u>	<u>\$</u>	<u>\$ 13,120,233</u>

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	Balance at July 1, 2016	Additions	Deletions	Transfers	Balance at June 30, 2017
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 48,490	\$	\$	\$	\$ 48,490
Construction in progress	101,463	7,134		(48,223)	60,374
Total capital assets, not being depreciated, at historical cost	<u>149,953</u>	<u>7,134</u>		<u>(48,223)</u>	<u>108,864</u>
Capital assets, being depreciated:					
Buildings	2,119,641				2,119,641
Improvements other than buildings	57,997				57,997
Furniture and fixtures	118,322				118,322
Equipment	511,847	27,946	(28,119)		511,674
Vehicles	197,436	19,000			216,436
Water plant	19,085,863	910,274		48,223	20,044,360
Sewer plant	9,921,068				9,921,068
Total capital assets, being depreciated, at historical cost	<u>32,012,174</u>	<u>957,220</u>	<u>(28,119)</u>	<u>48,223</u>	<u>32,989,498</u>
Less accumulated depreciation:					
Buildings	(936,505)	(50,023)			(986,528)
Improvements other than buildings	(51,296)	(416)			(51,712)
Furniture and fixtures	(111,939)	(6,383)			(118,322)
Equipment	(315,060)	(29,293)	28,119		(316,234)
Vehicles	(150,532)	(7,946)			(158,478)
Water plant	(4,015,768)	(714,458)			(4,730,226)
Sewer plant	(4,846,899)	(265,056)			(5,111,955)
Total accumulated depreciation	<u>(10,427,999)</u>	<u>(1,073,575)</u>	<u>28,119</u>		<u>(11,473,455)</u>
Total capital assets, being depreciated, net	<u>21,584,175</u>	<u>(116,355)</u>		<u>48,223</u>	<u>21,516,043</u>
Business-type activities capital assets, net	<u>\$ 21,734,128</u>	<u>\$ (109,221)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 21,624,907</u>

Depreciation expense was charged to governmental and business-type activities as follows:

	Governmental Activities	Business-type Activities
General Government	\$ 25,841	\$
Public safety	31,770	
Parks and recreation	25,805	
Streets	241,032	
Airport	126,126	
Maintenance	12,506	
General and administrative		32,074
Community activities		61,987
Water		714,458
Sewer		265,056
Total	<u>\$ 463,080</u>	<u>\$ 1,073,575</u>

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(5) Receivables

The following is a summary of receivables at June 30, 2017:

<u>Class of Receivable</u>		
Governmental activities –		
Ad Valorem	\$	4,635
Grants		27,136
Sales taxes		212,214
Gaming taxes		65,893
Other		13,543
Franchise taxes		<u>35,450</u>
Total governmental activities	\$	<u>358,871</u>
Business-type activities –		
Water and sewer charges	\$	226,227
Cemetery assessments		8,553
Lot sales		1,021
Other		<u>197</u>
Total business-type activities	\$	<u>235,998</u>

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2017 consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 339,342	\$ 113,190	\$ 452,532
Compensated absences	5,060	7,796	12,856
Salaries and benefits	<u>31,724</u>	<u>3,861</u>	<u>35,585</u>
Total – fund statements	376,126	124,847	500,973
Accrued interest	<u>60,653</u>	<u>212,132</u>	<u>272,785</u>
Total –government-wide Statements	<u>\$ 436,779</u>	<u>\$ 336,979</u>	<u>\$ 773,758</u>

(7) Customers' Deposits

Deposits held for customers that are currently active on the water and sewer systems total \$170,392 at June 30, 2017.

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(8) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Sales Tax Revenue Bonds:					
Series 2014	\$ 3,080,000	\$	\$( 125,000)	\$ 2,955,000	\$ 130,000
Series 2015	1,800,000		( 65,000)	1,735,000	70,000
Series 2016	600,000			600,000	50,000
Other long-term Liabilities –					
Net pension liability	2,428,161	419,916		2,848,077	–
Compensated absences	<u>21,216</u>	<u>4,784</u>	( )	<u>26,000</u>	<u>26,000</u>
	<u>\$ 7,929,377</u>	<u>\$ 424,700</u>	<u>\$( 190,000)</u>	8,164,077	276,000
Less current portion				( 5,060)	( 5,060)
Total long-term liabilities, governmental activities				<u>\$ 8,159,017</u>	<u>\$ 270,940</u>

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Business-type activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds, Series 2015	\$ 278,000	\$	\$( 52,000)	\$ 226,000	\$ 55,000
Water Revenue Bonds Series 2006	5,460,558		(5,460,558)	-	-
Water Revenue Bonds Series 2012	6,109,000			6,109,000	179,322
Water Revenue Bonds Series 2016		5,495,000	( 225,000)	5,270,000	385,000
Other long-term liabilities					
Net pension					
Liability-MERS	609,093	92,014		701,107	-
Compensated Absences	<u>9,145</u>		<u>( 1,349)</u>	<u>7,796</u>	<u>7,796</u>
	<u>\$12,465,796</u>	<u>\$5,587,014</u>	<u>\$( 5,738,907)</u>	12,313,903	627,118
Less current portion				<u>( 7,796)</u>	<u>( 7,796)</u>
Total Business-type Activities				<u>\$ 12,306,107</u>	<u>\$ 619,322</u>

Governmental activities sales tax bonds consist of the following issues:

Sales Tax Revenue Bonds:

Series 2014, original amount \$3,200,000 dated August 6, 2014. Due in annual installments of principal and semi-annual installments of interest through August 2034; interest at 2.825%. Payable from sales tax funds.

\$ 2,955,000

Series 2015, original amount \$1,800,000 dated June 25, 2015. Due in annual installments of principal and semi-annual installments of interest through August 2035; interest at 2.705%. Payable from sales tax funds.

\$ 1,735,000

Series 2016, original amount \$600,000 dated June 15, 2016. Due in annual installments of principal and semi-annual installments of interest through August 2026; interest at 2.3701%. Payable from sales tax funds.

\$ 600,000

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Business-type activities general obligation and utility revenue bonds consist of the following issues:

General Obligation:

Series 2015 Refunding Bonds, original amount \$330,000 dated February 2, 2015. Due in annual installments of principal and semi-annual installments of interest through March 2021; Interest rate of .75% to 2.25%. Secured by levy and collection of ad valorem taxes.

\$ 226,000

Utility revenue bonds:

Series 2012, original amount \$6,109,000 dated February 2015. Due in annual installments of principal and semi-annual installments of interest through June 2054; interest at 3.0%. Secured by pledge of net revenues of the water system.

\$ 6,109,000

Series 2016 original amount 5,495,000 dated November 22, 2016. Due in annual installments of principal and semi annual installments of interest through June 2029; interest at 2.25%-3.125%. Secured by pledge of net revenues of the water system

\$ 5,270,000

Debt service requirements at June 30, 2017, were as follows:

Governmental Activities – Sales Tax Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 250,000	\$ 141,244
2019	260,000	134,367
2020	265,000	127,292
2021	275,000	120,016
2022	285,000	112,473
2023-2027	1,525,000	442,719
2028-2032	1,390,000	243,297
2033-2037	<u>1,040,000</u>	<u>49,914</u>
	<u>\$ 5,290,000</u>	<u>\$ 1,371,322</u>

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Business-Type Activities – General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 55,000	\$ 4,195
2019	55,000	3,370
2020	58,000	2,407
2021	58,000	1,304
	<u>\$ 226,000</u>	<u>\$ 11,276</u>

Business-Type Activities – Utility Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 564,322	\$ 317,582
2019	488,715	306,190
2020	496,527	294,491
2021	509,423	282,596
2022	522,406	270,387
2023-2027	2,824,996	1,141,097
2028-2032	1,644,189	755,716
2033-2037	752,588	605,442
2038-2042	872,456	485,575
2043-2047	1,011,415	346,615
2048-2052	1,172,507	185,523
2053-2055	519,456	23,487
	<u>\$11,379,000</u>	<u>\$ 5,014,701</u>

(9) Other Postemployment Benefits

The City provides no other postemployment benefits to its employees.

(10) Risk Management

The City purchases commercial insurance to provide workers compensation coverage and general liability and property insurance. There were no significant reductions in insurance coverage from the previous year.

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(11) Interfund Balances

Interfund balances at June 30, 2017 consisted of the following:

	<u>Due From Other Fund</u>	<u>Due To Other Fund</u>	<u>Net</u>
Governmental Funds:			
Sales tax fund	\$ 535,842	\$ -	\$ 535,842
General fund	<u>94,706</u>	<u>-</u>	<u>94,706</u>
Total Governmental Funds	<u>630,548</u>	<u>-</u>	<u>630,548</u>
Enterprise Funds:			
Major fund			
Water and Sewer	-	( 625,378)	( 625,378)
Non-major funds	<u>26</u>	<u>( 5,196)</u>	<u>( 5,170)</u>
Total Enterprise Funds	<u>26</u>	<u>( 630,574)</u>	<u>( 630,548)</u>
 Total	 <u>\$ 630,574</u>	 <u>\$( 630,574)</u>	 <u>\$ -</u>

The interfund balances are the results of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

(12) Interfund Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>	<u>Net</u>
Governmental Funds:			
Major funds:			
General fund	\$ 2,665,997	\$( 1,206,323)	\$ 1,459,674
Capital projects	1,158,188		1,158,188
Sales tax		( 2,795,300)	( 2,795,300)
Non-major funds	<u>388,399</u>		<u>388,399</u>
Total Governmental Funds	<u>4,212,584</u>	<u>( 4,001,623)</u>	<u>210,961</u>
Enterprise Funds:			
Major funds:			
Water and sewer	83,001	( 328,277)	( 245,276)
Non-major funds	<u>53,861</u>	<u>( 19,546)</u>	<u>34,315</u>
	<u>136,862</u>	<u>(347,823)</u>	<u>( 210,961)</u>
 Total	 <u>\$ 4,349,446</u>	 <u>\$( 4,349,446)</u>	 <u>\$ -</u>

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.

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(13) Pension Plans

Employees of the City are members of the Municipal Employees Retirement System or Municipal Police Employees Retirement System (police department employees)

Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB 68 require the City to record its proportional share of each of the pension plans net pension liability and report certain disclosures. The following is a description of the plans and benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

**MUNICIPAL EMPLOYEES RETIREMENT SYSTEM**

The Municipal Employees' Retirement System of Louisiana is the administrator of a cost-sharing, multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. Effective October 1, 1978, under Act 788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. Employees of the City are members of Plan A.

**Plan Description**

**Eligibility Requirements:**

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

**Retirement Benefits:**

Any member of Plan A who was hired 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 creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

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

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

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

Generally, the monthly amount of the retirement allowance for any member of Plan 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. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

Upon death of any member of Plan 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.

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 that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

For Plan 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.

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**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 being 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.

**Contributions**

Contributions for all members are established by statute. Member contributions are at 9.5% of earnable compensation for Plan A. According to state statute, contribution requirements for all employers are actuarially determined each year. For the plan year ending June 30, 2017, the actual employer contribution rate was 22.75% for Plan A. The City's contributions to the System for the years ended June 30, 2017, 2016, and 2015, were \$218,809, \$187,418, and \$172,085, respectively.

**Non-Employer Contributions**

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions totaling \$32,188 are recognized as revenue during the year ended June 30, 2017, and excluded from pension expense.

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

At June 30, 2017, the City reported a liability of \$2,177,350 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the fiscal year ended June 30, 2016 as compared to the total of all employers' contributions received by the System during the fiscal year ended June 30, 2016. The City's proportion as measured at June 30, 2016, was .531228%, which was an increase of .0207% from its proportion measured as of June 30, 2015.

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For the year ended June 30, 2017, the City recognized pension expense of \$315,193, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$767.

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

	<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Differences between expected and actual experience	\$ 46,665	\$ 22,163
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,505	714
Total	<u>\$ 48,170</u>	<u>\$ 22,877</u>

	<u>Deferred Outflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Changes of assumptions	\$ 53,738	\$ 25,522
Net difference between projected and actual earnings on pension plan investments	337,134	160,114
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,647	15,030
Employer contributions subsequent to the measurement Date	<u>148,353</u>	<u>70,456</u>
Total	<u>\$ 570,872</u>	<u>\$ 271,122</u>

The City reported a total of \$218,809 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2016, which will be recognized as a reduction in net pension liability in the year ended June 30, 2018.

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

<u>Year</u>	<u>Amount</u>
2016	\$ 188,461
2017	125,422
2018	161,119
2019	77,136
Total	<u>\$ 552,138</u>

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**Actuarial Methods and Assumptions**

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Inflation Rate	2.875%
Projected Salary Increases	5.0%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sec Distinct Mortality Tables set forward 2 years for males and 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disables lives mortality	For disable Annuitants, RP-2000 Disabled Lives Mortality Tables set back 5 years for males and 3 years for females.
Expected Remaining Service Lives	3 years

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation 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, 2016 are summarized in the following table:

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	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.6%
Public fixed income	35%	1.8%
Alternatives	<u>15%</u>	<u>.08%</u>
Totals	<u>100%</u>	<u>5.2%</u>
Inflation		2.5%
Expected Arithmetic Nominal Return		7.6%

The discount rate used to measure the total pension liability was 7.5%. 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 to Changes in Discount Rate**

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, 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, 2016:

	<u>Changes in Discount Rate</u>		
	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Net Pension Liability	\$2,767,817	\$2,177,350	\$ 1,673,500

**Changes in Net Pension Liability**

The changes in the net pension liability for the year ended June 30, 2017 were recognized in the current reporting period except as follows:

*Differences between Expected and Actual Experience:*

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension benefit using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

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*Differences between Projected and Actual Investment Earnings:*

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

*Changes of Assumptions:*

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

*Changes in Proportion:*

Changes in the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in proportion are presented in the Schedule of Pension Amounts as deferred outflows or deferred inflows as of June 30, 2017.

**Contributions – Proportionate Share**

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan.

**Pension Plan Fiduciary Net Position**

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan.

Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2016. Access to these reports can be found on the Louisiana Legislative Auditor's website, [www.lia.la.gov](http://www.lia.la.gov).

**MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM**

The Municipal Police Employees' Retirement System (System) is a cost-sharing multiple-employer defined benefit plan administered by a separate board of trustees. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana, 70809.

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**Plan Description**

Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

**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 three and one-third percent 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.

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 \$200.00 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 three percent and two and a half percent, 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

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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.

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 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.

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.

Contributions

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2017, total contributions due from employers and

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employees was 41.75%. 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 31.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 33.75% and 8%, 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 34.25% and 7.5%, respectively. The City contributions to the System for the years ended June 30, 2017, 2016, and 2015 were \$121,491, \$120,948, and \$132,115, respectively.

**Non-Employer Contributions**

The System also receives 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 totaling \$27,231 are recognized as revenue during the year ended June 30, 2017, and excluded from pension expense.

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

At June 30, 2017, the City reported a liability of \$1,371,834 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the employer's contributions to the System during the year ended June 30, 2016, as compared to the total of all employers' contributions to the System for the year ended June 30, 2016. At June 30, 2016, the City's proportion was .146363%, which was a decrease of .00855% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$174,693, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$40,014.

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

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 21,822
Changes of assumptions	66,699	83
Net difference between projected and actual earnings on pension plan investments	211,089	
Changes in proportion and differences between employer contributions and proportionate share of contributions	137,268	219,372
Employer contributions subsequent to the measurement Date	121,491	
Total	<u>\$ 536,547</u>	<u>\$ 241,277</u>

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The City reported a total of \$121,491 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2016, which will be recognized as a reduction in net pension liability in the year ended June 30, 2017.

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

Year	Amount
2018	\$ 87,250
2019	(34,974)
2020	67,885
2021	53,618
Total	\$ 173,779

**Actuarial Methods and Assumptions**

The actuarial assumptions used in the June 30, 2016 valuation were based on the assumptions used in the June 30, 2016 actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.5%, net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.875%

	Years of Service	Salary Growth Rate
Salary increases, including inflation and merit	1-2	9.75%
	3 – 23	4.75%
	23 & Over	4.25%

Mortality	<p>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.</p> <p>RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.</p> <p>RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.</p>
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(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2017  
(Continued)

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.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	53%	3.69%
Fixed income	21%	0.49%
Alternatives	20%	1.11%
Other	6%	0.21%
Totals	<u>100%</u>	<u>5.50%</u>
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>8.25%</u>

The discount rate used to measure the total pension liability was 7.5%. 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.

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 then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

**Sensitivity to Changes in Discount Rate**

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, 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 6.5% or one percentage point higher 8.5% than the current rate.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2017  
(Continued)

	Changes in Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
	6.5%	7.5%	8.5%
Net Pension Liability	\$1,828,772	\$1,371,834	\$ 988,192

**Change in Net Pension Liability**

The changes in the net pension liability for the year ended June 30, 2017 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Differences between Projected and Actual Investment Earnings:

Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

Changes of Assumptions or Other Inputs:

Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Change in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan.

**Contributions – Proportionate Share**

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

**Pension Plans Fiduciary Net Positions**

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2017  
(Continued)

accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2016. Access to these reports can be found on the Louisiana Legislative Auditor's website, [www.lia.la.gov](http://www.lia.la.gov).

(14) Operating Leases

The City leased some equipment under operating leases. The rental costs paid on these leases for the year ended June 30, 2017 were \$4,582.

The minimum annual commitments under non-cancelable operating leases are as follows:

Year Ending <u>June 30,</u>	
2018	\$ 4,265
2019	4,653
2020	4,653
2021	4,653
2022	4,653
2023	<u>388</u>
Total	<u>\$ 23,265</u>

(15) Subsequent Events

Subsequent events have been evaluated through December 19, 2017, the date the financial statements were available to be issued.

Subsequent to June 30, 2017, The City signed contracts totaling \$396,110 for airport obstruction phase II project, roof repairs/replacement, and water system improvements.

(16) Litigation and Claims

At June 30, 2017, the City is involved in several lawsuits. In the opinion of legal counsel for the City, the outcome of the lawsuits is not presently determinable.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2017  
(Continued)

(17) Fund Balance Classifications

The constraints on fund balance as listed in aggregate in the Statement of Revenues, Expenditures, and Changes in Fund Balance are detailed according to balance classification and fund, as follows:

	<u>Major Funds</u>			<u>Non-major Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Sales Tax</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	
Fund balances:					
Nonspendable	\$ 49,113	\$	\$	\$	\$ 49,113
Restricted:					
Debt service				261,030	261,030
Capital improvements		3,466,719			3,466,719
Sewer, water, garbage, public safety, parks & rec	32,040	776,035			808,075
Committed:					
Public safety	38,544				38,544
Assigned:					
Property acquisition	129,746				129,746
Building maintenance	194,119				194,119
Airport	16,859				16,859
Health center maintenance	37,192				37,192
Police	103,726				103,726
Other	26,663				26,663
Unassigned	1,234,697		1		1,234,698
<b>Total fund balances</b>	<b><u>\$ 1,862,699</u></b>	<b><u>\$ 4,242,754</u></b>	<b><u>\$ 1</u></b>	<b><u>\$ 261,030</u></b>	<b><u>\$ 6,366,484</u></b>

City of Springhill  
Springhill, Louisiana  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 208,000	\$ 227,358	\$ 223,868	\$ (3,490)
Franchise taxes	160,000	160,000	150,505	(9,495)
Other taxes	9,100	8,229	6,233	(1,996)
Licenses and permits	192,500	155,635	205,266	49,631
Charges for service	290,000	315,926	276,659	(39,267)
Gaming taxes	280,000	240,000	301,531	61,531
Intergovernmental revenues	171,500	357,604	388,954	31,350
Fines and forfeitures	40,000	25,738	38,677	12,939
Investment earnings	2,600	2,426	2,837	411
Rental of facilities	16,452	15,902	29,409	13,507
Oil and gas	20,000	26,000	32,988	6,988
Miscellaneous	111,169	109,304	150,243	40,939
Total revenues	1,501,321	1,644,122	1,807,170	163,048
<b>Expenditures:</b>				
<b>Current:</b>				
General government	661,046	633,886	1,007,141	(373,255)
Public safety	1,363,783	1,389,622	1,336,532	53,090
Parks and recreation	139,732	591,370	102,153	489,217
Streets	472,604	539,875	344,069	195,806
Airport	28,650	244,994	20,364	224,630
Ward court	158,623	151,417	137,677	13,740
Transportation	49,154	47,469	47,018	451
Maintenance	185,146	162,201	161,356	845
Driver license bureau	10,000	9,971	7,442	2,529
Capital outlay			892,797	(892,797)
Total expenditures	3,068,738	3,770,805	4,056,549	(285,744)
Excess (deficiency) of revenues over expenditures	(1,567,417)	(2,126,683)	(2,249,379)	(122,696)
<b>Other financing sources (uses):</b>				
Sale of assets			1,488	1,488
Transfers in	1,575,000	2,245,287	2,665,997	420,710
Transfers out		(1,156,644)	(1,206,323)	(49,679)
Total other financing sources (uses)	1,575,000	1,088,643	1,461,162	372,519
Excess (deficiency) of revenues and other sources over expenditures and other uses	7,583	(1,038,040)	(788,217)	249,823
Fund balances at beginning of year	2,269,295	2,650,916	2,650,916	
Fund balances at end of year	\$ 2,276,878	\$ 1,612,876	\$ 1,862,699	\$ 249,823

City of Springhill  
Springhill, Louisiana  
Required Supplementary Information  
Budgetary Comparison Schedule  
Sales Tax Fund  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Sales tax	\$ 2,410,000	\$ 2,350,000	\$ 2,404,057	\$ 54,057
Investment income	24,000		4,484	4,484
Total revenues	<u>2,434,000</u>	<u>2,350,000</u>	<u>2,408,541</u>	<u>58,541</u>
Expenditures:				
Current:				
General government	37,200	37,200	37,075	125
Total expenditures	<u>37,200</u>	<u>37,200</u>	<u>37,075</u>	<u>125</u>
Excess (deficiency) of revenues over expenditures	2,396,800	2,312,800	2,371,466	58,666
Other financing sources (uses):				
Transfers out	(1,385,000)	(2,717,391)	(2,795,300)	(77,909)
Total other financing sources (uses)	<u>(1,385,000)</u>	<u>(2,717,391)</u>	<u>(2,795,300)</u>	<u>(77,909)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,011,800	(404,591)	(423,834)	(19,243)
Fund balances at beginning of year	5,558,764	4,666,588	4,666,588	
Fund balances at end of year	<u>\$ 6,570,564</u>	<u>\$ 4,261,997</u>	<u>\$ 4,242,754</u>	<u>\$ (19,243)</u>

City of Springhill  
Springhill, Louisiana  
Schedule of Proportionate Share of Net Pension Liability  
For the Year Ended June 30, 2017

Municipal Police Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.146363%	0.154918%	0.196714%
Proportionate share of the net pension liability	\$ 1,371,834	\$ 1,213,621	\$ 1,230,659
Covered-employee payroll	\$ 409,992	\$ 419,414	\$ 398,211
Proportionate share of the net pension liability as a percentage of covered employee payroll	334.60%	289.36%	309.05%
Plan fiduciary net position as a percentage of the total pension liability	66.04%	70.73%	75.10%

Municipal Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.531228%	0.510513%	0.504702%
Proportionate share of the net pension liability	\$ 2,177,350	\$ 1,823,632	\$ 1,295,290
Covered-employee payroll	\$ 948,954	\$ 871,320	\$ 888,763
Proportionate share of the net pension liability as a percentage of covered employee payroll	229.45%	209.30%	145.74%
Plan fiduciary net position as a percentage of the total pension liability	62.11%	66.18%	73.99%

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

City of Springhill  
Springhill, Louisiana  
Schedule of Contributions  
June 30, 2016

Municipal Police Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 121,491	\$ 120,948	\$ 132,115
Contributions in relation to the contractually required contribution	\$ 121,491	\$ 120,948	\$ 132,115
Contribution deficiency (excess)	-	-	-
Covered-employee payroll	\$ 382,649	\$ 409,992	\$ 419,414
Contributions as a percentage of covered-employee payroll	31.75%	29.50%	31.50%

Municipal Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 218,809	\$ 187,418	\$ 172,086
Contributions in relation to the contractually required contribution	\$ 218,809	\$ 187,418	\$ 172,086
Contribution deficiency (excess)	-	-	-
Covered-employee payroll	\$ 961,798	\$ 948,954	\$ 871,320
Contributions as a percentage of covered-employee payroll	22.75%	19.75%	19.75%

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

City of Springhill  
Springhill, Louisiana  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2017

	2014 Sales Tax Bonds	2015 Sales Tax Bonds	2016 Sales Tax Bonds	Total
<b>Assets</b>				
Restricted investments	\$ 136,286	\$ 75,474	\$ 49,270	\$ 261,030
Total assets	\$ 136,286	\$ 75,474	\$ 49,270	\$ 261,030
 <b>Fund balances:</b>				
Restricted - debt service	\$ 136,286	\$ 75,474	\$ 49,270	\$ 261,030
Total fund balances	\$ 136,286	\$ 75,474	\$ 49,270	\$ 261,030

City of Springhill  
Springhill, Louisiana  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Other Governmental Funds  
For the Year Ended June 30, 2017

	2014 Sales Tax Bonds	2015 Sales Tax Bonds	2016 Sales Tax Bonds	Totals
Revenues:				
Investment earnings	\$ 116	\$ 63	\$ 42	\$ 221
Total revenues	<u>116</u>	<u>63</u>	<u>42</u>	<u>221</u>
Expenditures:				
Principal retirement	125,000	65,000		190,000
Interest and other charges	86,232	50,190	11,427	147,849
Total expenditures	<u>211,232</u>	<u>115,190</u>	<u>11,427</u>	<u>337,849</u>
Excess (deficiency) of revenues over expenditures	(211,116)	(115,127)	(11,385)	(337,628)
Other financing sources (uses):				
Transfers in	196,555	132,799	59,045	388,399
Total other financing sources (uses)	<u>196,555</u>	<u>132,799</u>	<u>59,045</u>	<u>388,399</u>
Net change in fund balance	(14,561)	17,672	47,660	50,771
Fund balances at beginning of year	<u>150,847</u>	<u>57,802</u>	<u>1,610</u>	<u>210,259</u>
Fund balances at end of year	<u>\$ 136,286</u>	<u>\$ 75,474</u>	<u>\$ 49,270</u>	<u>\$ 261,030</u>

City of Springhill  
Springhill, Louisiana  
Combining Statement of Net Position  
Other Enterprise Funds  
June 30, 2017

Business-Type Activities - Enterprise Funds

	Cemetery Fund	Community Activities Fund	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 305,790	\$ 4,108	\$ 309,898
Accounts receivable	9,574		9,574
Inventories	57,611		57,611
Due from other funds	26		26
Total current assets	<u>373,001</u>	<u>4,108</u>	<u>377,109</u>
Noncurrent assets:			
Capital assets:			
Plant and equipment	54,613	2,398,198	2,452,811
Less: accumulated depreciation	<u>(45,604)</u>	<u>(1,206,211)</u>	<u>(1,251,815)</u>
Total noncurrent assets	<u>9,009</u>	<u>1,191,987</u>	<u>1,200,996</u>
Total assets	<u>382,010</u>	<u>1,196,095</u>	<u>1,578,105</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,043	23,435	24,478
Due to other funds		5,196	5,196
Total current liabilities	<u>1,043</u>	<u>28,631</u>	<u>29,674</u>
Total liabilities	<u>1,043</u>	<u>28,631</u>	<u>29,674</u>
<b>Net position</b>			
Net investment in capital assets	9,009	1,191,987	1,200,996
Restricted - perpetual care	74,049		74,049
Unrestricted (deficit)	297,909	(24,523)	273,386
Total net position	<u>\$ 380,967</u>	<u>\$ 1,167,464</u>	<u>\$ 1,548,431</u>

City of Springhill  
Springhill, Louisiana  
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position  
Other Enterprise Funds  
For the Year Ended June 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	Cemetery Fund	Community Activities Fund	Totals
Operating revenues:			
Charges for service -			
Cemetery assessments	\$ 24,443	\$	\$ 24,443
Other charges and fees	3,151		3,151
Sale of cemetery lots	7,700		7,700
Rent		53,306	53,306
Total operating revenues	<u>35,294</u>	<u>53,306</u>	<u>88,600</u>
Operating expenses:			
Cost of sales and service	1,906		1,906
Community activities		108,989	108,989
Cemetery maintenance	3,488		3,488
General and administrative	6,535		6,535
Depreciation	76	61,987	62,063
Total operating expenses	<u>12,005</u>	<u>170,976</u>	<u>182,981</u>
Operating income (loss)	<u>23,289</u>	<u>(117,670)</u>	<u>(94,381)</u>
Non-operating revenues (expenses):			
Interest income	315		315
Total non-operating revenues (expenses)	<u>315</u>		<u>315</u>
Net income (loss) before contributions and transfers	23,604	(117,670)	(94,066)
Transfers In		53,861	53,861
Transfers Out	(18,001)	(1,545)	(19,546)
Total other financing sources (uses)	<u>(18,001)</u>	<u>52,316</u>	<u>34,315</u>
Change in net position	5,603	(65,354)	(59,751)
Net position - beginning of year	<u>375,364</u>	<u>1,232,818</u>	<u>1,608,182</u>
Net position - end of year	<u>\$ 380,967</u>	<u>\$ 1,167,464</u>	<u>\$ 1,548,431</u>

City of Springhill  
Springhill, Louisiana  
Schedule of Compensation Paid to Board Members  
For the Year Ended June 30, 2017

Mayor - Carroll Breaux, Salary	\$ 56,016
Alderman:	
D. Nicole Frazier	9,168
Dennis Smith	9,168
Ross Fleming	9,924
Ronnie Dees	9,168
Adam Harris	<u>9,168</u>
	<u>\$ 102,612</u>

City of Springhill  
Springhill, Louisiana  
Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the Year Ended June 30, 2017

Agency Head: Carroll Breaux, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 56,016
Benefits - Insurance	6,676
Benefits - Retirement	12,744
Cell phone	1,747
Travel	4,365
Meals	644
Vehicle Insurance	1,600

City of Springhill  
Springhill, Louisiana  
Schedule of Revenues, Expenses, and Capital Contributions - Water and Sewer Fund  
For the Year Ended June 30, 2017

	Water	Sewer	Total
Operating revenues:			
Charges for service -			
Water sales	\$ 1,015,629	\$	\$ 1,015,629
Sewerage service charges		783,577	783,577
Other charges and fees	43,899	10,518	54,417
Total operating revenues	<u>1,059,528</u>	<u>794,095</u>	<u>1,853,623</u>
Operating expenses:			
Water services	671,315		671,315
Sewer services		521,806	521,806
General and administrative	8,973	5,982	14,955
Depreciation	733,656	277,855	1,011,511
Total operating expenses	<u>1,413,944</u>	<u>805,643</u>	<u>2,219,587</u>
Operating income (loss)	<u>(354,416)</u>	<u>(11,548)</u>	<u>(365,964)</u>
Non-operating revenues (expenses):			
Interest income	5,544	297	5,841
Interest expense	(450,680)		(450,680)
Total non-operating revenues (expenses)	<u>(445,136)</u>	<u>297</u>	<u>(444,839)</u>
Capital contributions	<u>834,727</u>		<u>834,727</u>

City of Springhill  
Springhill, Louisiana  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u>		
Water and Waste Disposal Systems for Rural Communities-Water Improvements Phase II	10.760	\$ 789,410
<u>U.S. Department of Transportation</u>		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	9,977
Airport Improvement Program	20.616	<u>2,758</u>
Total federal expenditures		<u>\$ 802,145</u>

NOTE A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Springhill under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Springhill, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Springhill.

NOTE B: Summary of Significant Accounting Policies

- (1) The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.
- (2) City of Springhill does not utilize an indirect cost rate.

NOTE C: Federal Portion of Loan Balances Outstanding at June 30, 2017

	CFDA 10.760
	Utility Revenue
	Bonds Series
	2012
Outstanding loan balance, June 30, 2017	<u>\$ 6,109,000</u>

# COOK & MOREHART

*Certified Public Accountants*

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SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

The Honorable Carroll Breaux, Mayor  
and Members of the City Council  
City of Springhill  
Springhill, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Springhill as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Springhill's basic financial statements, and have issued our report thereon dated December 19, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Springhill'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 Springhill's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Springhill'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003, and 2017-004, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

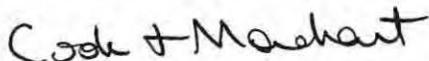
As part of obtaining reasonable assurance about whether City of Springhill's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

### **City of Springhill's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



Cook & Morehart  
Certified Public Accountants  
December 19, 2017

# COOK & MOREHART

*Certified Public Accountants*

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## Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

### Independent Auditors' Report

The Honorable Carroll Breaux, Mayor  
and Members of the City Council  
City of Springhill  
Springhill, Louisiana

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Springhill's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Springhill's major federal programs for the year ended June 30, 2017. The City of Springhill's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Springhill's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Springhill's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Springhill's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Springhill complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

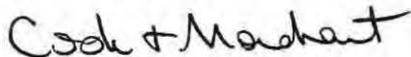
### **Report on Internal Control Over Compliance**

Management of the City of Springhill is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Springhill's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Springhill's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cook & Morehart  
Certified Public Accountants  
December 19, 2017

City of Springhill  
Springhill, Louisiana  
Summary Schedule of Prior Audit Findings  
June 30, 2017

There were four findings for the prior year audit for the year ended June 30, 2016, as follows:

**Finding 2016-001**

Finding: The City did not amend its budget for the General Fund and Sales Tax Funds in accordance with the Local Government Budget Act. Total expenditures for the General Fund were more than budgeted amounts by more than five percent for the year ended June 30, 2016. Total expenditures and transfers out for the Sales Tax fund were more than budgeted amounts by more than five percent for the year ended June 30, 2016.

Current Status: See current year finding on General fund. No current year finding on Sales Tax fund.

**Finding 2016-002**

Significant Deficiency: During our audit, we noted a lack of documentation regarding reviews of daily work of the various collection processes of the City, including adjustments posted to the utility billing software.

Current Status: Some improvement noted. See significant deficiency in current year audit.

**Finding 2016-003**

Significant Deficiency: During our audit, we noted that one individual prepares payroll, initiates and submits direct deposit payroll, posts payroll to the general ledger, and reconciles the City's bank accounts.

Current Status: Improvement noted. See significant deficiency in current year audit

**Finding 2016-004**

Condition: During our audit, we noted a lack of controls over the decentralized collection process over police department fines.

Current Status: See significant deficiency in current year audit.

City of Springhill  
Springhill, Louisiana  
Schedule of Findings and Questioned Costs  
June 30, 2017

**A. Summary of Audit Results**

Financial Statements

Type of audit report issued : Unmodified

Internal control over financial reporting :

Material weaknesses identified :  yes  no  
Significant deficiencies identified :  yes  none reported

Noncompliance material to financial statements noted :

yes  no

Federal Awards

Internal control over major programs :

Material weaknesses identified :  yes  no  
Significant deficiencies identified :  yes  none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)

yes  no

Identification of major federal programs :

Water and Waste Disposal Systems  
CFDA# 10.760 for Rural Communities

Dollar threshold used to distinguish between type A and type B programs : \$750,000

Auditee qualified as low risk :  yes  no

**B. Findings – Financial Statements Audit:**

2017-001 - Budget

*Criteria:* The Local Government Budget Act sets forth the requirements for adopting and amending the City's budget.

(Continued)

City of Springhill  
Springhill, Louisiana  
Schedule of Findings and Questioned Costs  
June 30, 2017  
(Continued)

*Finding:* The City did not amend its budget for the General Fund in accordance with the Local Government Budget Act. Total expenditures and transfers out for the General Fund were more than budgeted amounts by more than five percent for the year ended June 30, 2017.

*Cause:* The City did not appropriately monitor its budget and amend the budget for the General Fund for certain capital outlay expenditures.

*Effect:* The City was not in compliance with the Local Government Budget Act.

*Recommendation:* We recommend that the City monitor its budget throughout the year and appropriately amend the budget when actual plus projected expenditures and transfers out exceed budgeted amounts by five percent or more.

*Views of Responsible Officials and Corrective Action Plan:* The City will more closely monitor expenditures and transfers to stay within the allowable 5% variance.

2017-002 – Controls Over Collections

*Criteria:* Internal controls should be in place to ensure that reviews and approvals of daily work over the City's collection process are properly documented.

*Condition:* During our audit, we noted a lack of segregation of duties over daily work of the various collection processes of the City. Although there is a documented review of daily work, the same individual responsible for reviewing and approving daily work is also responsible for preparing deposits and maintaining the agency's general ledger.

*Cause:* There is a lack of segregation of duties over the agency's collection processes.

*Effect:* Errors or irregularities could occur with regards to the City's collection processes and not be detected.

*Recommendation:* We recommend that a proper segregation of duties be established over the City's collection processes, to include a documented review of daily work by someone independent of deposit preparation and general ledger postings.

*Views of Responsible Officials and Corrective Action Plan:* The City will consider any options to segregate duties which will still be practical and allow workers to continue their necessary functions.

(Continued)

City of Springhill  
Springhill, Louisiana  
Schedule of Findings and Questioned Costs  
June 30, 2017  
(Continued)

2017-003 – Controls Over Payroll

*Criteria:* Internal controls should be in place to ensure that processing of the City's payroll is properly reviewed and approved prior to issuance.

*Condition:* During our audit, we noted that one individual prepares payroll, initiates and submits direct deposit payroll, posts payroll to the general ledger, and reconciles the City's bank accounts. We did note a review of the direct deposit report prior to the amounts being transmitted to the bank. However, there was no subsequent comparison of the payroll direct deposit per the City's bank statement to the previously approved report.

*Cause:* A lack of segregation of duties exists over the payroll process.

*Effect:* Errors or irregularities could occur with regards to the payroll process and not be detected.

*Recommendation:* We recommend that direct deposit payroll transactions on the City's bank statements be reviewed and compared to previously approved payroll reports by that same individual.

*Views of Responsible Officials and Corrective Action Plan:* The City Clerk will review and compare direct deposit payroll transactions on the bank statement to previously approved reports and sign off on these reports.

2017-004 – Controls Over Decentralized Collections

*Criteria:* Internal controls should be in place to ensure that adequate controls exist over decentralized collections of traffic fines.

*Condition:* During our audit, we noted a lack of controls over the decentralized collection process over police department fines.

*Cause:* Collection of fines are made at two different locations. Amounts collected by the police department are not reconciled to subsidiary documentation by someone independent of the collection process to ensure appropriate amounts are deposited.

*Effect:* Errors or irregularities could occur with regards to the collection of traffic fines and not be detected.

*Recommendation:* We recommend a reconciliation of amounts collected and deposited for traffic fines to the subsidiary records on a periodic basis by someone independent of the collection process.

*Views of Responsible Officials and Corrective Action Plan:* City officials have met and will continue to work towards a solution.

**C. Findings and Questioned Costs – Major Federal Award Programs Audit: None**

City of Springhill  
Springhill, Louisiana  
Summary Schedule of Prior Audit Findings for the Louisiana Legislative Auditor  
June 30, 2017

There were four findings for the prior year audit for the year ended June 30, 2016, as described in the accompanying Summary Schedule of Prior Audit Findings.

Summary Schedule of Current Year Audit Findings for the Louisiana Legislative Auditor  
June 30, 2017

There are three significant deficiencies and one finding for the current year audit for the year ended June 30, 2017, as described in the accompanying Schedule of Findings and Questioned Costs.



# CITY OF SPRINGHILL

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DENNIS SMITH District #2  
ROSS FLEMING District #3  
ADAM HARRIS District #4  
RONNIE DEES District #5  
SHELLI MALONE, City Clerk  
WILL LYND, Chief of Police  
STUART McMAHEN, City Attorney  
NICOLE THEBEAU, Assistant City Clerk

## CORRECTIVE ACTION PLAN

12/22/2017

The City of Springhill respectfully submits the following corrective action plan for the audit period ended June 30, 2017.

Name and address of independent public accounting firm:

Cook & Morehart, CPAs  
1215 Hawn Ave  
Shreveport, LA 71107

Audit period: Year Ended June 30, 2017

### FINDINGS – FINANCIAL STATEMENTS AUDIT

#### 2017-001 - Budget

*Recommendation:* We recommend that the City monitor its budget throughout the year and appropriately amend the budget when actual plus projected expenditures and transfers out exceed budgeted amounts by five percent or more.

*Corrective Action Planned/Taken:*

The City will more closely monitor expenditures and transfers to stay within the allowable 5% variance.

#### 2017-002 – Control Over Collections

*Recommendation:* We recommend that a proper segregation of duties be established over the City's collection processes, to include a documented review of daily work by someone independent of deposit preparation and general ledger postings.

*Corrective Action Planned/Taken:*

The City will consider any options to segregate these duties which will still be practical and allow workers to continue their necessary functions.

**2017-003**

*Recommendation:* We recommend that direct deposit payroll transactions on the City's bank statements be reviewed and compared to previously approved payroll reports by that same individual.

*Corrective Action Planned/Taken:*

The City Clerk will review and compare direct deposits payroll transactions on the bank statements to previously approved reports and sign off on these reports.

**2017-004**

*Recommendation:* We recommend a reconciliation of amounts collected and deposited for traffic fines to the subsidiary records on a periodic basis by someone independent of the collection process.

*Corrective Action Planned/Taken:*

City Officials have met and will continue to work towards a solution.

**FINDINGS – FEDERAL AWARD PROGRAMS AUDIT: None**

If additional information is needed, please contact me at (318) 539-5681.

Sincerely,



Carroll Breaux  
Mayor

# COOK & MOREHART

*Certified Public Accountants*

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## Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Aldermen  
City of Springhill  
Springhill, Louisiana  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the City of Springhill and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The City of Springhill's (City) management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving
  - d) ***Receipts***, including receiving, recording, and preparing deposits
  - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The City provided written policies and procedures addressing all of the above.

**Board (or Finance Committee, if applicable)**

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

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

The Board of Aldermen of the City met on a monthly basis.

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

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

*Exception:* The minutes of the Board of Aldermen of the City did not reference a review of monthly budget-to-actual comparisons.

*Management's Response:* Management will present at the regular monthly meeting for the Board of Aldermen a monthly budget-to-actual comparison, which will be voted on for approval by the Board.

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

The minutes of the Board of Aldermen of the City did reference non-budgetary financial information for at least one meeting during the fiscal period.

**Bank Reconciliations**

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

Management provided the requested information, along with management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for each month.

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

*Exception:* There was no evidence on the 228 bank reconciliations selected for testing, that a member of management reviewed and approved the bank reconciliations. There was indication on 171 of those accounts that a member of management reviewed and approved the bank statements.

*Management's Response:* Management will begin documenting their review and approval of the bank reconciliations.

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

For the accounts selected for testing, management has documentation reflecting that it has researched reconciling items that were more than six months old, except as noted below:

*Exception:* There was no indication that management had researched 156 outstanding items that were more than 6 months old totaling \$18,109.35 on 19 bank accounts.

*Management's Response:* Management will follow up on these bank accounts.

### **Collections**

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

Management provided the requested information, along with management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

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

Each person responsible for collecting cash was bonded, not responsible for depositing cash in the bank, recording the related transaction, or reconciling the related bank account, and not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to

reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The City has written procedures to reconcile cash collections to the general ledger by a person not responsible for collections.

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

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

For the week selected, deposits were processed within one day of collection.

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

For the week selected, daily cash collections were completely supported by collection documentation.

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

The City has written procedures which define a process to determine completeness of collections, including electronic transfers, by a person not responsible for collections.

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

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

Management provided the requested information, along with management's representation that the listing is complete.

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

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

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Purchase orders are not required by entity policy for all transactions. All payments tested were made from approved vendor invoices.

*Exception:* Purchase orders are not required by entity policy for all transactions. None of the purchases selected for tested had documented approval on purchase orders.

*Management's Response:* City policy does not require purchase orders for all purchases.

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

The City's policy is that new vendors will be added by the accounts payable clerk, at the request of a department director and approved by the mayor. Neither the department directors nor the mayor are responsible for processing payments.

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

Persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

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

The City prints check on blank check stock. No persons with signatory authority have access to print checks.

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

Persons with signatory authority do not use a signature stamp or signature machine.

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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

Management provided the requested information, along with management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

For each card selected for testing, there were attributes indicating that someone other than the authorized card holder reviewed and approved the monthly statements and supporting documentation for the items selected for testing, except as noted below.

*Exception:* There was not documented review/approval for two of the credit card statements selected for testing.

*Management's Response:* Management will meet with credit card holders to ensure each employee is aware and understands the City's Policy in regards to card use.

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

There were no finance charges or late fees assessed on the cards selected for testing.

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

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

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

Transactions tested were supported by original itemized receipts, except as noted below:

*Exception:* Of the cards selected for testing, there were twenty (20) missing receipts totaling \$863.48.

*Management's Response:* Management will emphasize the importance of proper documentation needed when using credit cards.

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

Transactions tested contained documentation of business purpose, except as noted below:

*Exception:* Of the cards selected for testing, there were twenty-one (21) receipts totaling \$2,869, that did not have documentation of the business purpose. Included in that amount were fourteen (14) receipts for meals totaling \$439 that did not have documentation of individuals participating.

*Management's Response:* Management will emphasize the importance of proper documentation needed when using credit cards.

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

No other documentation is required by the City's written credit card policy.

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

We compared each transaction tested to the agency's written policies and Louisiana Public Bid Law. There were no exceptions noted.

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

The City's documentation met the requirements of Article 7, Section 14.

#### ***Travel and Expense Reimbursement***

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

Management provided the requested information, along with management's representation that the listing is complete.

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

The City's policy is to pay actual travel costs, not per diem rates. Mileage rates paid by the City do not exceed mileage rates established by GSA.

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

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

The reimbursements selected were supported with documentation in accordance with City's written policies.

- b) Report whether each expense is supported by:

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

Each expense selected was supported by an itemized receipt.

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

The business purpose was documented on each invoice selected for testing.

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

No other documentation was required.

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

The City's documentation met the requirements of Article 7, Section 14.

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

For each expense selected for testing, the expense and related documentation was reviewed and approved in writing by someone other than the person receiving reimbursement.

### **Contracts**

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

Management provided the requested information, along with management's representation that the listing is complete.

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

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

There were formal, written contracts supporting the services arrangement and the amounts paid for the contracts selected for testing.

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

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

For the contracts selected, the City complied with legal requirements.

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

Not applicable.

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

Three of the five contracts selected for testing were amended. Two were amended \$4,975.25 and \$17,785.00, respectively for additional work needed. The third was amended \$420,698.02 because the Town decided not to do a part of the project. There were no amendments to the other 2 contracts selected for testing. Contract terms provided for such amendments.

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

The largest payment selected for testing from each of the five vendor contracts was supported by invoices that agreed with the terms of the contract.

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

The five contracts selected for testing required Board of Alderman approval. Those five contracts were approved by the Board of Aldermen.

### ***Payroll and Personnel***

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

Management provided the requested information, along with management's representation that the listing is complete.

Randomly select five employees/officials obtain their personnel files, and:

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

Payment was made in accordance with the terms of the approved pay rates.

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

Changes made to hourly pay rates/salaries during the fiscal period were approved in writing and in accordance with the City's written policy.

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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

For the transactions selected for testing, the daily attendance and leave were documented, except as noted below

*Exception:* Five of the employees selected for testing did not complete timesheets. All of those employees were salaried employees.

*Management's Response:* City's Policy is that salaried employees are not required to document daily attendance.

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

Transactions selected for testing contained evidence that supervisors approved the attendance and leave of the selected employees, except as noted below.

*Exception:* Two of the twenty-five employees selected did not have written documentation of supervisor's approval of their attendance records.

*Management's Response:* Management will ensure that all employee attendance records have written documentation of supervisor approval.

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

For the transactions selected for testing, the City maintained written leave records.

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

Management provided the requested information, along with management's representation that the listing is complete.

For the transaction selected for testing, the termination benefits were made in accordance with the City's written procedures.

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

Employee and employer portions of payroll taxes and retirement contributions, as well as required reporting forms, were submitted to the applicable agencies by the required deadlines.

### ***Ethics (excluding nonprofits)***

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

The City maintained documentation that demonstrated the required ethics training was completed for the five employees selected for testing.

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

There were no alleged ethics violations reported to management during the fiscal period.

***Debt Service (excluding nonprofits)***

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

The City obtained State Bond Commission approval for the new debt issued during the fiscal period.

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

The City made scheduled service payments and maintained debt reserves, as required by debt covenants.

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

The tax millage collected which was related to debt service did not exceed the debt service payments by more than 10%.

***Other***

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

Management is not aware of any misappropriation of public funds or assets.

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

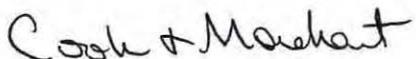
City has posted on its premises and website the notice required by R.S. 24:523.1.

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

We have not observed or identified any exceptions regarding management's representations in the above procedures.

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

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



Cook & Morehart  
Certified Public Accountants  
December 19, 2017