

**CITY OF NEW ROADS
NEW ROADS, LOUISIANA**

**ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017**

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**CITY OF NEW ROADS
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ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITORS' REPORT

To Mayor Daisy and
Members of the City Council
New Roads, 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 New Roads, Louisiana as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Roads, Louisiana, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 59, be presented to supplement the basic financial statements. Such information, including health care and pension information on pages 60 through 65, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

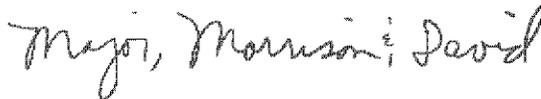
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Roads, Louisiana's basic financial statements. The accompanying supplemental information schedules and other information as listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of New Roads, Louisiana.

The accompanying supplemental information schedules and other information as listed in the foregoing table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2018 on our consideration of the City of New Roads, 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 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 New Roads, Louisiana's internal control over financial reporting and compliance.



Major, Morrison & David
New Roads, Louisiana
June 19, 2018

CITY OF NEW ROADS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

As management of the City of New Roads, Louisiana (the "City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of New Roads, Louisiana for the fiscal year ended December 31, 2017. This management discussion and analysis ("MD&A") is designed to provide an easy to read analysis of the City's financial activities based upon facts, decisions, or conditions currently known. This MD&A is intended to provide the readers of these financials with a broad overview of City finances. It is also intended to provide readers with an analysis of the City's short-term and long-term activities based upon information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address next year and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The information contained within this MD&A should be considered only a part of a greater whole, as should all other sections in this financial report. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this Management's Discussion and Analysis.

Financial Highlights

- The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$8,859,096, a decrease of \$360,765 from last year. Of this amount, \$(2,576,834) is unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors. The majority of the City's net position is invested in its capital assets.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$231,642, an increase of \$29,000 in comparison with the prior year. The unrestricted fund balance in the general fund, \$82,969, is available for spending at the government's discretion (unassigned fund balance). All other fund balances are non-spendable (prepaid expenses) or restricted for grants, liability claims, and other uses.
- At the end of the current fiscal year, unassigned fund balance for the general fund was 1.60 percent of the total general fund expenditures and transfers out.
- The City's total debt decreased by \$400,200. (Note 12)

Overview of the Financial Statements

The intention of the discussion and analysis is to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements
4. Other Supplementary Information, in addition to the basic financial statements themselves.

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-Wide Financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Position and Statement of Activities, seeking to give the user of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to private-sector business.

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

CITY OF NEW ROADS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

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

The government wide financial statements further assist the reader in their evaluation by distinguishing functions of the City into:

- A. Governmental activities that are principally supported by taxes and intergovernmental revenues, and
- B. Business-type activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of New Roads, assets exceeded its liabilities at the close of the most recent fiscal year by \$8,859,096, a decrease of \$360,765 from last year. The following is a summary of the City's net position:

CITY OF NEW ROADS
Net Position

	<u>Governmental</u>		<u>Business- type</u>		<u>Total</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Current & Other Assets	1,158,547	712,651	2,765,488	3,125,306	3,924,035	3,837,957
Capital Assets	<u>6,003,112</u>	<u>5,897,352</u>	<u>10,355,699</u>	<u>9,789,837</u>	<u>16,358,811</u>	<u>15,687,189</u>
Total Assets	<u>7,161,659</u>	<u>6,610,003</u>	<u>13,121,187</u>	<u>12,915,143</u>	<u>20,282,846</u>	<u>19,525,146</u>
Deferred Outflows	<u>1,154,722</u>	<u>962,137</u>	<u>368,279</u>	<u>297,947</u>	<u>1,523,001</u>	<u>1,260,084</u>
Current Liabilities	971,108	497,224	303,947	463,219	1,275,055	960,443
Long-term Liabilities	<u>4,247,138</u>	<u>4,374,894</u>	<u>6,483,023</u>	<u>6,231,605</u>	<u>10,730,161</u>	<u>10,606,499</u>
Total liabilities	<u>5,218,246</u>	<u>4,872,118</u>	<u>6,786,970</u>	<u>6,694,824</u>	<u>12,005,216</u>	<u>11,566,942</u>
Deferred Inflows	<u>559,319</u>	<u>337,818</u>	<u>21,451</u>	<u>21,374</u>	<u>580,770</u>	<u>359,192</u>
Net Position:						
Invested in capital assets,						
Net of related debt	5,958,828	5,868,269	4,714,096	4,533,234	10,672,924	10,401,503
Restricted	158,523	148,673	1,096,711	885,754	1,255,234	1,034,427
Unrestricted	<u>(3,578,535)</u>	<u>(3,654,738)</u>	<u>870,238</u>	<u>1,077,904</u>	<u>(2,708,297)</u>	<u>(2,576,834)</u>
Total Net Position	<u>2,538,816</u>	<u>2,362,204</u>	<u>6,681,045</u>	<u>6,496,892</u>	<u>9,219,861</u>	<u>8,859,096</u>

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

**CITY OF NEW ROADS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

An additional portion of the City's net position represents resources that are subject to external and internal restrictions on how they are used. The remaining balance of \$(2,576,834) in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in two of the three categories of net position for the government as a whole, as well as all categories for its business-type activities. The governmental activities reported a deficit within its unrestricted net position balance for the seventh year in a row and the City is working towards eliminating this in the coming years now that a majority of capital projects are essentially complete and rate increases for garbage and utility funds have been implemented beginning with the current fiscal year.

The City's net position decreased by \$360,765 during the current fiscal year.

CHANGES IN NET POSITION

	<u>Governmental</u> <u>Activities</u>		<u>Business- type</u> <u>Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	1,182,562	1,279,626	6,426,164	7,306,494	7,608,726	8,586,120
Operating grants & Contributions	624,172	337,907	0	0	624,172	337,907
Capital grants & Contributions	151,981	20,000	25,000	27,579	176,981	20,000
General revenues:						
Sales taxes	1,466,539	1,487,314	0	0	1,466,539	1,487,314
Other taxes	319,907	350,914	0	0	319,907	350,914
Other general revenue	<u>646,388</u>	<u>486,219</u>	<u>211,185</u>	<u>150,815</u>	<u>857,573</u>	<u>637,034</u>
Total revenues	<u>4,391,549</u>	<u>3,961,980</u>	<u>6,662,349</u>	<u>7,484,888</u>	<u>11,053,898</u>	<u>11,446,868</u>
Expenses:						
General government	2,102,830	2,074,170	0	0	2,102,830	2,074,170
Public safety	1,177,465	1,380,819	0	0	1,177,465	1,380,819
Transportation	51,737	52,073	0	0	51,737	52,073
Streets & sanitation	1,016,437	1,098,490	0	0	1,016,437	1,098,490
Public works	319,633	315,949	0	0	319,633	315,949
Culture & recreation	601,120	557,893	0	0	601,120	557,893
Economic development	127,734	98,707	0	0	127,734	98,707
Educational	51,881	37,721	0	0	51,881	37,721
Welfare	204,874	188,271	0	0	204,874	188,271
Elect, Gas, W/Sewer	<u>0</u>	<u>0</u>	<u>5,707,863</u>	<u>6,003,540</u>	<u>5,707,863</u>	<u>6,003,540</u>
Total expenses	<u>5,653,711</u>	<u>5,804,093</u>	<u>5,707,863</u>	<u>6,003,540</u>	<u>11,361,574</u>	<u>11,807,633</u>
Increase (decrease) in net Position before transfers	(1,262,162)	(1,842,113)	954,486	1,481,348	(307,676)	(360,765)
Transfers	<u>1,155,000</u>	<u>1,665,500</u>	<u>(1,155,000)</u>	<u>(1,665,500)</u>	<u>0</u>	<u>0</u>
Increase (decrease) in Net position	(107,162)	(176,613)	(200,514)	(184,152)	(307,676)	(360,765)
Net position 1/01	<u>2,645,979</u>	<u>2,538,817</u>	<u>6,881,558</u>	<u>6,681,044</u>	<u>9,527,537</u>	<u>9,219,861</u>
Net position 12/31	<u>2,538,817</u>	<u>2,362,204</u>	<u>6,681,044</u>	<u>6,496,892</u>	<u>9,219,861</u>	<u>8,859,096</u>

**CITY OF NEW ROADS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

Governmental Activities

The Governmental Activities of the City include General Government, Public Safety, Transportation, Public Works, Streets and Sanitation, Recreation, Economic Development, Culture and Tourism, Educational, and Welfare. Sales taxes, property taxes, franchise taxes, as well as occupational licenses and fines, and internal transfers from the City's business activities fund most of these governmental activities.

Here we show the City's expenditures related to those functions typically associated with governments. In the chart below, General Government includes the following departments: Legislative (City Council), Judicial, Executive, Financial, Building and other General Administration. Public Safety encompasses the police department. Public Works is made up of the street and sanitation department. Culture and Tourism and Recreation departments contain the City's parks and community center activities. Economic Development & Educational consists of the economic development projects & educational pursuits, and Transportation consists of the City's venture with the parish government involving the airport. Welfare consists of the city's HUD section 8 housing program.

Governmental Activities Expenditures:

	2016 <u>Amount</u>	2016 <u>%</u>	2017 <u>Amount</u>	2017 <u>%</u>
General Government	\$2,102,830	37%	\$2,074,170	36%
Public Safety	1,177,465	21%	1,380,819	24%
Transportation	51,737	1%	52,073	1%
Public Works	319,633	5%	315,949	5%
Street & Sanitation	1,016,437	18%	1,098,490	19%
Recreation-Culture & Tourism	601,120	11%	557,893	10%
Economic Development/Educational	179,615	3%	136,428	2%
Welfare Programs	<u>204,874</u>	<u>4%</u>	<u>188,271</u>	<u>3%</u>
Total Governmental Activities	<u>\$5,653,711</u>	<u>100%</u>	<u>\$5,804,093</u>	<u>100%</u>

General revenues are those available for the City to use to pay for the governmental activities described above.

General Revenues:

	2016 <u>Amount</u>	2016 <u>%</u>	2017 <u>Amount</u>	2017 <u>%</u>
Taxes:				
Sales Taxes	\$1,466,539	41%	\$1,487,314	37%
Franchise Taxes	23,752	1%	24,758	1%
Property Taxes	319,907	9%	326,156	8%
Licenses & Permits	352,247	10%	275,650	7%
Intergovernmental Revenues	157,734	4%	167,584	4%
Investment Earnings	1,163	0%	538	0%
Miscellaneous	111,492	3%	42,447	1%
Transfers – Internal Activities	<u>1,155,000</u>	<u>32%</u>	<u>1,665,500</u>	<u>42%</u>
Total General Revenues & Transfers	<u>\$3,587,834</u>	<u>100%</u>	<u>\$3,989,947</u>	<u>100%</u>

Transfers from the city's business-type activities are the largest revenue source for the City comprising 42% of total governmental revenue. These transfers increased from fiscal year December 31, 2016 to December 31, 2017 by \$510,500 due in large part because of a decrease in operating & capital grants revenue and increases in governmental expenses.

Sales taxes are the second largest revenue source for the City comprising 37% of total governmental revenue. Sales tax revenues increased from fiscal year ending December 31, 2016 to December 31, 2017 by \$20,775 or 1.4%.

Expenditures for the governmental activities increased by \$150,382 or 2.7% due to increased personnel costs including health insurance and retirement costs, and operating insurance costs.

**CITY OF NEW ROADS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

Business-Type Activities

The Business-Type Activities of the City are those that 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 electric, gas, water, and sewer departments are reported here.

Business Type Activities:

	<u>Operating Revenues</u>			
	Fiscal year ended <u>December 31, 2016</u>	Fiscal year ended <u>December 31, 2017</u>	Increase/ (Decrease) <u>Between Years</u>	<u>%</u>
Electric	\$4,545,900	\$5,021,416	\$ 475,516	10.5
Gas	\$ 859,797	\$1,004,414	\$ 144,617	16.8
Water	\$ 670,056	\$ 787,291	\$ 117,235	17.5
Sewer	<u>\$ 350,411</u>	<u>\$ 493,373</u>	\$ 142,962	40.8
	<u>\$6,426,164</u>	<u>\$7,306,494</u>		

Increase/(Decrease) Between Years.....\$ 880,330

	<u>Operating Expenses</u>			
	Fiscal year ended <u>December 31, 2016</u>	Fiscal year ended <u>December 31, 2017</u>	Increase/ (Decrease) <u>Between Years</u>	<u>%</u>
Electric	\$3,514,671	\$3,852,358	\$ 337,687	9.6
Gas	\$ 602,825	\$ 610,032	\$ 7,207	1.2
Water	\$ 802,530	\$ 813,321	\$ 10,791	1.3
Sewer	<u>\$ 470,006</u>	<u>\$ 411,488</u>	\$ (58,518)	12.5
	<u>\$5,390,032</u>	<u>\$5,687,199</u>		

Increase/(Decrease) Between Years.....\$ 297,167

2. FUND FINANCIAL STATEMENTS

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

A. Governmental funds are used to account for most of the City's basic services that are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Modified accrual accounting is used to report these funds. Modified accrual accounting 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's general government operations and the basic services it provides. Governmental fund information aids in the determination of whether there are more or less financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on pages 16 and 18.

CITY OF NEW ROADS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is the only major governmental fund. Data for the other non-major fund (HUD Section 8 Special Revenue Fund) is reflected in a single aggregated presentation. The basic fund financial statements can be found on pages 15 and 17 of this report.

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$231,642, an increase of \$29,000 from the prior year ending December 31, 2016. In the General Fund, the unassigned fund balance is \$82,969.

The City has restricted \$4,031 of its general fund balance for possible future coverage in liability claims. The general fund balance also consists of a non-spendable balance of \$37,566 in the form of prepaid expenses.

The City's major fund, the General Fund, had an increase from the prior year of \$36,620, from \$87,946 in the year ending December 31, 2016 to \$124,566 in the year ending December 31, 2017. The restricted fund balances in the other governmental funds in the amount of \$107,076 indicates that these funds are not available for new spending because they have already been committed for grant programs. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements in the Supplemental Information portion of this report, beginning on page 68.

B. *Proprietary Funds*- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric, Gas, Water and Sewer departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Gas, Water, and Sewer departments, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 19-22 of this report.

3. NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement can be found on pages 24-57 of this report.

4. OTHER SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found beginning on page 59 of this report.

- a. Budgetary Comparison Schedule - The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with its budget on page 60.
- b. Analysis of Significant Budget Variances in the General Fund:
 1. Revenues:
 - a. Increase in taxes both sales & property of \$23,828.
 - b. Increase in intergovernmental revenue of \$10,951 due to increased grants.
 - c. Increase in charges for services of \$39,377 from city events.
 - d. Remaining revenues were close to estimated budget figures.
 2. Expenditures:
 - a. Over budget for public safety expenditures (salaries & benefits mainly) in the amount of \$37,269.

CITY OF NEW ROADS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

- b. Over budget for streets and sanitation expenses for salaries, benefits, and insurance costs of \$40,993.
- c. Under budget in capital outlay costs due to completion of various projects- \$21,563.
- d. Remaining expenses were slightly under budget or right at estimated amounts.

Additional required supplementary information includes information on the Employee Health Care Plan (page 60) and employee retirement system information as it pertains to the City (pages 61-65).

Supplemental Information

- A. Statements of the Non-Major Governmental Fund (Special Revenue: HUD Section 8) as well as a budgetary comparison schedule have been provided on pages 68-70.
- B. Schedule of Compensation, Benefits, and Other Payments to Agency Head is shown on page 71.
- B. Other reports required by Government Auditing Standards follow, starting on page 73.

Capital Asset and Debt Administration

A. Capital Assets

The city's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$15,687,189 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, furniture and fixtures, park facilities, roads, and highways. The total increase in the City's investment in capital assets for the current fiscal year was \$387,412 or 2.3%, less depreciation expense in the amount of \$1,051,522.

Major capital asset additions during the current fiscal year included the following:

- 1. City-wide infrastructure improvements for King's Hwy \$145,395.
- 2. Three used vehicles for the police department for \$36,890.
- 3. Machinery, tools, & office computers & scanners for various departments for \$44,295.
- 4. Transformers and system improvements for electric, gas, and water/sewer departments for \$130,835.

Additional information on the City's capital assets can be found in Note 5 on pages 34 and 35 of this report.

B. Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,256,603. Of this amount, \$4,645,000 is payable from the income and revenues earned from the electric system, and \$611,603 is payable from the income and revenues earned from the water and sewer system. The city also has a capital lease of \$29,083 for the purchase of the skate park. The City paid off its 2007 Electric bonds.

The City's total debt decreased \$400,200 (7.03%) during the current fiscal year. Additional information on the City's long-term debt can be found in Note 12 on pages 49-51.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the City's budget for the 2018 fiscal year:

Budgeted sales tax amounts were increased slightly over estimated final 2017 figures, but conservatively, due to anticipation of an improving economy and new businesses in the city. Revenues from grants are estimated to be in the amount of \$180,000. Occupational licenses, intergovernmental revenues, and other revenues were budgeted flat to take a conservative approach until more concrete data during the year indicates an upswing in revenues.

Transfers from the utility funds are expected to be reduced by \$375,000 due to completion of the sidewalk projects and King's Highway extension with potentially one major project within the general fund. Also in recent years, the

CITY OF NEW ROADS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

City completed several major capital projects. Going forward the amount of capital projects should be reduced, therefore, requiring less funds to be transferred.

Within expenditures, general government expenditures are estimated to decrease by \$10,000 due to lower professional fees, grant expenditures and capital outlay reductions. Public Safety expenses were budgeted lower than 2017 figures by \$33,000 due to less personnel costs but an increase in capital outlay purchases of vehicles. The Streets and Sanitation Department is budgeted higher by \$200,000 due to other infrastructure projects relying on grant funds but may need revision if grants do not materialize. The Economic Development Department, Public Works, and Recreation departments are all budgeted comparable to 2017 budgets. Expenditures within all departments will be examined for cost saving measures in order to obtain efficiencies where possible. Overall capital outlay within the governmental funds is budgeted to be stable and comparable to 2017 expenditures.

The proprietary fund budgets have been prepared conservatively and will be monitored closely to take into account amounts to be transferred to the general government so that each fund remains profitable. Revenues are expected to level out due to prior year rate increases in all departments. Additional cuts in expenditures where possible are expected to be made for a more efficient operation.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mayor Anthony R. Daisy, City of New Roads P.O. Box 280 New Roads, Louisiana, 70760.

CITY OF NEW ROADS, LOUISIANA
STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 18,226	\$ 679,606	\$ 697,832
Investments	18,443	105,963	124,406
Account receivables, net	211,908	1,038,648	1,250,556
Inventory	-	97,701	97,701
Internal balances	55,463	(55,463)	-
Due from other governmental units	290,838	-	290,838
Prepaid expenses	37,566	33,189	70,755
Restricted cash & cash equivalents	80,207	871,600	951,807
Restricted investments	-	354,062	354,062
Capital assets, net of depreciation	5,897,352	9,789,837	15,687,189
Total assets	6,610,003	12,915,143	19,525,146
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	962,137	223,054	1,185,191
Deferred bond refunding cost	-	74,893	74,893
Total deferred outflows of resources	962,137	297,947	1,260,084
LIABILITIES			
Accounts payable and accrued expenses	298,532	311,525	610,057
Internal balances	173,465	(173,465)	-
Due to other governmental units	9,012	20,159	29,171
Current portion of long-term obligations	16,215	305,000	321,215
Utility deposits	-	389,945	389,945
Net pension liability	3,499,985	713,236	4,213,221
Non-current portion of long-term obligations	12,868	4,951,603	4,964,471
Other post employment benefits payable	862,041	176,821	1,038,862
Total liabilities	4,872,118	6,694,824	11,566,942
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	337,818	21,374	359,192
Total deferred inflows of resources	337,818	21,374	359,192
NET POSITION			
Invested in capital assets, net of related debt	5,868,269	4,533,234	10,401,503
Restricted for:			
Liability Claims	4,031	-	4,031
Prepaid expenses	37,566	-	37,566
Capital additions	-	319,154	319,154
Debt service	-	566,600	566,600
HUD grant	107,076	-	107,076
Unrestricted (deficit)	(3,654,738)	1,077,904	(2,576,834)
Total net position	\$ 2,362,204	\$ 6,496,892	\$ 8,859,096

The accompanying notes are an integral part of this statement.

CITY OF NEW ROADS, LOUISIANA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 2,074,170	\$ 467,632	\$ 91,947	\$ -	\$ (1,514,591)	-	\$ (1,514,591)
Public safety	1,380,819	58,328	64,809	-	(1,257,682)	-	(1,257,682)
Transportation	52,073	-	-	-	(52,073)	-	(52,073)
Streets & sanitation	1,098,490	455,133	-	20,000	(623,357)	-	(623,357)
Public works	315,949	6,694	-	-	(309,255)	-	(309,255)
Culture and recreation	557,893	260,628	-	-	(297,265)	-	(297,265)
Economic development	98,707	31,211	500	-	(66,996)	-	(66,996)
Educational	37,721	-	-	-	(37,721)	-	(37,721)
Welfare	188,271	-	180,651	-	(7,620)	-	(7,620)
Total governmental activities	5,804,093	1,279,626	337,907	20,000	(4,166,560)	-	(4,166,560)
Business-type activities:							
Electric	4,121,872	5,021,416	-	-	-	899,544	899,544
Natural gas	615,375	1,004,414	-	-	-	389,039	389,039
Water and sewer	1,266,293	1,280,664	-	27,579	-	41,950	41,950
Total business-type activities	6,003,540	7,306,494	-	27,579	-	1,330,533	1,330,533
Total primary government	\$ 11,807,633	\$ 8,586,120	\$ 337,907	\$ 47,579	(4,166,560)	1,330,533	(2,836,027)
General revenues:							
Taxes:							
Sales taxes					1,487,314	-	1,487,314
Property taxes					326,156	-	326,156
Franchise taxes					24,758	-	24,758
Occupational licenses					275,650	-	275,650
Video poker revenue					167,584	-	167,584
Gain(loss) on sale of fixed assets					2,787	-	2,787
Investment earnings					538	4,880	5,418
Miscellaneous					39,660	145,935	185,595
Transfers - internal activities					1,665,500	(1,665,500)	-
Total general revenues and transfers					3,989,947	(1,514,685)	2,475,262
Change in net position					(176,613)	(184,152)	(360,765)
Net position - beginning of the year					2,538,817	6,681,044	9,219,861
Net position - end of the year					\$ 2,362,204	\$ 6,496,892	\$ 8,859,096

The accompanying notes are an integral part of this statement.

**CITY OF NEW ROADS, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Current Assets			
Cash	\$ 18,226	\$ -	\$ 18,226
Investments	18,443	-	18,443
Accounts receivable, net	211,908	-	211,908
Due from other funds	55,463	-	55,463
Due from other governmental units	259,938	30,900	290,838
Prepaid expenses	37,566	-	37,566
Restricted Assets			
Cash	4,031	76,176	80,207
TOTAL ASSETS	<u>\$ 605,575</u>	<u>\$ 107,076</u>	<u>\$ 712,651</u>
<u>LIABILITIES & FUND BALANCE</u>			
LIABILITIES:			
Accounts payable	\$ 145,761	\$ -	\$ 145,761
Accrued liabilities	30,639	-	30,639
Compensated absences	122,132	-	122,132
Due to other funds	173,465	-	173,465
Due to other governmental units	9,012	-	9,012
TOTAL LIABILITIES	<u>481,009</u>	<u>-</u>	<u>481,009</u>
FUND BALANCE			
Nonspendable:			
Prepaid expenses	37,566	-	37,566
Restricted for:			
Liability claims	4,031	-	4,031
Federal grants	-	107,076	107,076
Unassigned	82,969	-	82,969
TOTAL FUND BALANCE	<u>124,566</u>	<u>107,076</u>	<u>231,642</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 605,575</u>	<u>\$ 107,076</u>	<u>\$ 712,651</u>

The accompanying notes are an integral part of this statement.

**CITY OF NEW ROADS, LOUISIANA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

For the Year Ended December 31, 2017

Total fund balance - governmental funds	\$	231,642
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Balance sheet - governmental funds.		5,897,352
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Balance Sheet - governmental funds.		
Capital lease payable		(29,083)
Net pension liability		(3,499,985)
Other post employment benefits		(862,041)
Deferred outflows of resources related to pensions do not require the use of current financial resources and, therefore, are not reported in the Balance Sheet - governmental funds.		962,137
Deferred inflows of resources related to pensions do not require the use of current financial resources and, therefore, are not reported in the Balance Sheet - governmental funds.		(337,818)
Total net position of governmental activities	\$	<u><u>2,362,204</u></u>

The accompanying notes are an integral part of this statement.

CITY OF NEW ROADS, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 1,838,228	\$ -	\$ 1,838,228
Licenses and permits	289,459	-	289,459
Intergovernmental revenue	277,061	136,526	413,587
Charges for services	1,064,057	-	1,064,057
Fines and forfeitures	49,940	-	49,940
Miscellaneous	67,689	44,125	111,814
	<hr/>		
Total revenues	3,586,434	180,651	3,767,085
EXPENDITURES			
General government	1,497,112	-	1,497,112
Public safety	1,380,819	-	1,380,819
Streets and sanitation	1,098,490	-	1,098,490
Transportation	52,073	-	52,073
Culture and recreation	472,965	-	472,965
Economic development and assistance	98,707	-	98,707
Educational	37,721	-	37,721
Capital outlay	256,577	-	256,577
Debt service	15,201	-	15,201
Welfare	-	188,271	188,271
Public works	315,949	-	315,949
	<hr/>		
Total expenditures	5,225,614	188,271	5,413,885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(1,639,180)	(7,620)	(1,646,800)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,665,500	-	1,665,500
Sale of fixed assets	10,300	-	10,300
Transfers out	-	-	-
Total other financing sources (uses)	1,675,800	-	1,675,800
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES			
	36,620	(7,620)	29,000
FUND BALANCES AT BEGINNING OF YEAR			
	87,946	114,696	202,642
FUND BALANCES AT END OF YEAR			
	\$ 124,566	\$ 107,076	\$ 231,642

The accompanying notes are an integral part of this statement.

CITY OF NEW ROADS, 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 December 31, 2017

Net change in fund balances - total governmental funds \$ 29,000

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 which capital outlays exceeded depreciation in the current period.

Capital outlays	256,577
Depreciation expense	(354,823)

Governmental funds report the proceeds from the sale of capital assets as revenues. However, in the statement of activities only gains or losses are reported:

Gain (loss) on the disposal of capital assets	2,787
Proceeds from the sale of capital assets	(10,300)

Post employment benefits reported in governmental activities are not current financial resources, and therefore, are not reported in the Balance Sheet - governmental funds. (83,906)

Repayment of capital leases are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayment of capital lease obligations. 15,201

Governmental funds report current year pension contributions as expenditures. However, in the statement of activities it is an actuarially calculated expense. This represents the difference between pension contributions and actuarially calculated expense. (91,627)

The City's proportionate share of non-employer contributions to the pension plans do not provide current financial resources and, therefore, are not reported as revenue in the governmental funds. 60,478

Change in net position of governmental activities \$ (176,613)

The accompanying notes are an integral part of this statement.

CITY OF NEW ROADS, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Business-Type Activities - Enterprise Funds			
	Electric	Natural Gas	Water/Sewer	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 283,745	\$ 169,400	\$ 226,461	\$ 679,606
Investments	105,963	-	-	105,963
Account receivables, net	837,701	131,881	69,066	1,038,648
Inventory	97,701	-	-	97,701
Due from other funds	190,499	42,824	-	233,323
Prepaid expenses	21,337	470	11,382	33,189
Total current assets	<u>1,536,946</u>	<u>344,575</u>	<u>306,909</u>	<u>2,188,430</u>
Non-current Assets:				
Restricted Assets:				
Cash & cash equivalents	711,093	-	160,507	871,600
Investments	-	115,600	238,462	354,062
Capital assets, net of depreciation	3,289,696	410,950	6,089,191	9,789,837
Total noncurrent assets	<u>4,000,789</u>	<u>526,550</u>	<u>6,488,160</u>	<u>11,015,499</u>
Total assets	<u>5,537,735</u>	<u>871,125</u>	<u>6,795,069</u>	<u>13,203,929</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	143,854	-	79,200	223,054
Deferred bond refunding costs	74,893	-	-	74,893
Total deferred outflows of resources	<u>218,747</u>	<u>-</u>	<u>79,200</u>	<u>297,947</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	229,410	70,320	11,795	311,525
Due to other funds	59,032	6,992	49,297	115,321
Due to other governmental units	20,159	-	-	20,159
Current portion of long-term obligations	255,000	-	50,000	305,000
Utility deposits	389,945	-	-	389,945
Total current liabilities	<u>953,546</u>	<u>77,312</u>	<u>111,092</u>	<u>1,141,950</u>
Noncurrent Liabilities:				
Net pension liability	464,690	-	248,546	713,236
Other post employment benefits payable	90,671	12,351	73,799	176,821
Non-current portion of long-term obligations	4,390,000	-	561,603	4,951,603
Total noncurrent liabilities	<u>4,945,361</u>	<u>12,351</u>	<u>883,948</u>	<u>5,841,660</u>
Total liabilities	<u>5,898,907</u>	<u>89,663</u>	<u>995,040</u>	<u>6,983,610</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	13,927	-	7,447	21,374
Total deferred inflows of resources	<u>13,927</u>	<u>-</u>	<u>7,447</u>	<u>21,374</u>
NET POSITION				
Invested in capital assets, net of related debt	(1,355,304)	410,950	5,477,588	4,533,234
Restricted for:				
Capital additions	-	115,600	203,554	319,154
Debt service	456,093	-	110,507	566,600
Unrestricted (deficit)	742,859	254,912	80,133	1,077,904
Total net position	<u>\$ (156,352)</u>	<u>\$ 781,462</u>	<u>\$ 5,871,782</u>	<u>\$ 6,496,892</u>

The accompanying notes are an integral part of this statement.

CITY OF NEW ROADS, LOUISIANA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2017

	Electric Utility System	Natural Gas Utility System	Water & Sewer Utility Systems	Total Memo Only
OPERATING REVENUES				
Charges for services	\$ 5,021,416	\$ 1,004,414	\$ 1,280,664	\$ 7,306,494
Miscellaneous	-	-	-	-
Total operating revenues	5,021,416	1,004,414	1,280,664	7,306,494
OPERATING EXPENSES				
Personal services	417,746	(224)	224,148	641,670
Contracted services	41,338	30,750	95,871	167,959
Operating costs	3,052,383	497,076	111,108	3,660,567
Maintenance and supplies	47,627	32,190	212,967	292,784
Insurance	50,751	3,638	43,098	97,487
Utilities	5,888	1,041	123,106	130,035
Depreciation	236,625	45,561	414,511	696,697
Total operating expenses	3,852,358	610,032	1,224,809	5,687,199
Operating income (loss)	1,169,058	394,382	55,855	1,619,295
NONOPERATING REVENUES (EXPENSES)				
Miscellaneous	24,858	5,837	81,225	111,920
Bad debts recovered	38,895	-	-	38,895
Interest and fiscal charges	(215,838)	-	(9,190)	(225,028)
Federal & state grant income	-	-	27,579	27,579
Bad debts written off	(53,676)	(5,343)	(32,294)	(91,313)
Total nonoperating revenues (expenses)	(205,761)	494	67,320	(137,947)
Income before operating transfers	963,297	394,876	123,175	1,481,348
OPERATING TRANSFERS				
Transfers in	-	-	-	-
Transfers out	(916,500)	(449,000)	(300,000)	(1,665,500)
Total operating transfers	(916,500)	(449,000)	(300,000)	(1,665,500)
CHANGE IN NET POSITION	46,797	(54,124)	(176,825)	(184,152)
NET POSITION AT BEGINNING OF YEAR	(203,149)	835,586	6,048,607	6,681,044
NET POSITION AT END OF YEAR	\$ (156,352)	\$ 781,462	\$ 5,871,782	\$ 6,496,892

The accompanying notes are an integral part of this statement.

CITY OF NEW ROADS, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2017

	BUSINESS-TYPE ACTIVITIES -			
	ENTERPRISE FUNDS			
	ELECTRIC	NATURAL GAS	WATER/SEWER	TOTAL
	FUND	FUND	FUND	
Cash flows from operating activities:				
Receipts from customers	\$ 5,225,779	\$ 1,111,944	\$ 1,469,924	\$ 7,807,647
Payments to employees for services	(244,877)	-	(114,669)	(359,546)
Payments to suppliers of goods & services	(3,482,367)	(445,318)	(552,189)	(4,479,874)
Payments for quasi-external transactions	(100,000)	(120,000)	(80,000)	(300,000)
Payments for payroll taxes	(3,510)	-	(1,658)	(5,168)
Payments for employee benefits	(151,113)	-	(103,196)	(254,309)
Interest payments on revenue bonds	(215,838)	-	(9,190)	(225,028)
Net cash provided (used) by operating activities	1,028,074	546,626	609,022	2,183,722
Cash flows from noncapital financing activities:				
Transfers received for other than capital purposes	-	-	-	-
Transfers to other funds	(916,500)	(449,000)	(300,000)	(1,665,500)
Net cash provided (used) by noncapital financing activities	(916,500)	(449,000)	(300,000)	(1,665,500)
Cash flows from capital and related financing activities:				
Proceeds from sales of fixed assets	-	-	-	-
Principal repayments related to capital purposes	(335,000)	-	(50,000)	(385,000)
Payments related to the acquisition of capital asset	(98,001)	(1,075)	(31,759)	(130,835)
Issuance cost refunding bonds	23,293	-	-	23,293
Net cash provided (used) by capital and related financing activities	(409,708)	(1,075)	(81,759)	(492,542)
Cash flows from investing activities:				
Proceeds from the sale of investments	35,263	60,000	-	95,263
Purchase of investments	(60,979)	(48,314)	(60,615)	(169,908)
Net cash provided (used) by investing activities	(25,716)	11,686	(60,615)	(74,645)
Net increase (decrease) in cash and cash equivalents	(323,850)	108,237	166,648	(48,965)
Cash and cash equivalents at beginning of year				
Unrestricted cash	302,619	61,163	59,813	423,595
Restricted cash	1,016,069	-	160,507	1,176,576
TOTAL BEGINNING CASH	1,318,688	61,163	220,320	1,600,171
Cash and cash equivalents at end of year				
Unrestricted cash	283,745	169,400	226,461	679,606
Restricted cash	711,093	-	160,507	871,600
TOTAL ENDING CASH	\$ 994,838	\$ 169,400	\$ 386,968	\$ 1,551,206

The accompanying notes are an integral part of this statement.

CITY OF NEW ROADS, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2017

	BUSINESS-TYPE ACTIVITIES -			
	ENTERPRISE FUNDS			
	ELECTRIC	NATURAL GAS	WATER/SEWER	TOTAL
	FUND	FUND	FUND	
Operating income	\$ 963,297	\$ 394,876	\$ 123,175	\$ 1,481,348
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	236,625	45,561	414,511	696,697
Pension expense	48,409	-	23,450	71,859
Bad debt expense	53,676	5,343	32,294	91,313
(Increase) decrease in accounts receivable	(135,866)	(37,770)	(45,917)	(219,553)
(Increase) decrease in due from other funds	174,391	134,120	70,629	379,140
(Increase) decrease in inventories	(97,701)	-	-	(97,701)
(Increase) decrease in prepaid items	(199)	(121)	(329)	(649)
Increase (decrease) in accounts payable	(141,739)	12,881	5,610	(123,248)
Increase (decrease) in due to other funds	(88,896)	(8,040)	(16,001)	(112,937)
Increase (decrease) in accrued payables	16,076	(224)	1,600	17,452
Total adjustments	64,777	151,750	485,847	702,374
Net cash provided (used) by operating activities	1,028,074	546,626	609,022	2,183,722

The accompanying notes are an integral part of this statement.

City of New Roads, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

INTRODUCTION

The City of New Roads, Louisiana (City) was incorporated by a special act of the Louisiana Legislature in 1875 (Act No. 34). The City operates under an elected Mayor-Council form of government, serving approximately 4,831 residents, consisting of the mayor and 5 council members (see Note 27) each representing a separate district with one at-large member. All are elected to four-year terms. The City of New Roads is located approximately 30 miles northwest of Baton Rouge, Louisiana and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation and drainage, culture and recreation, public improvements, planning and zoning, and general administrative services. The City also provides electrical, gas, water, and sewer utility services to its residents and to portions of areas outside the City limits. The City employs approximately 47 workers.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the City have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements- and Management's Discussion and Analysis—for State and Local Governments*, issued in June 1999. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:517 and to the guides set forth in the *Louisiana Audit Guide* and the industry audit guide, *Audit of States, Local Governments and Non-profit Organizations*, published by the American Institute of Certified Public Accountants.

B. REPORTING ENTITY

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

Governmental Accounting Standards Board Statement No. 14 (amended by GASB 39 & GASB 61) established criteria for determining which component units should be considered part of the City 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.

City of New Roads, Louisiana
Notes to the Financial Statements

Considered in the determination of component units of the reporting entity were the Pointe Coupee Parish Police Jury, Sheriff, Clerk of Court, Assessor, and School Board, as well as the Judges of the Eighteenth Judicial District. It was determined that these governmental entities are not component units of the City reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the City.

The following organizations are related organization, which has not been included in the reporting entity:

1. Joint venture between the Parish of Pointe Coupee, Louisiana and the City of New Roads, Louisiana in which the financial statements are presented in the financial statements of the Parish-
-False River Air Park Commission

2. Housing Authority of New Roads, Louisiana- The Housing Authority is a related organization of the City since the City appoints a voting majority of the Housing Authority's governing board. However, the City is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the City.

C. FUND ACCOUNTING

The municipality uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds of the municipality are classified into two categories: governmental and proprietary. In turn each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

GOVERNMENTAL FUNDS

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

GENERAL FUND - the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds. Revenues are derived primarily from property and other local taxes, state and federal grants, licenses, permits, charges for services, and interest income.

SPECIAL REVENUE FUNDS - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The HUD- Section 8 special revenue fund is considered a non-major fund for reporting purposes.

PROPRIETARY FUNDS

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

ENTERPRISE FUNDS - account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred,

City of New Roads, Louisiana
Notes to the Financial Statements

and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include all the financial activities, both governmental and business, of the City. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Program Revenues – Program revenues included in the Statement of Activities are derived directly from users as a fee for services; program revenues reduce the cost of the function to be financed from the City's general revenues.

Fund Financial Statements (FFS)

The amounts reflected in the Governmental funds of the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the city's operations (See the reconciliation statements).

The amounts reflected in the Governmental funds in the FFS use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The city considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues and other governmental fund financial resource increments are recognized in the accounting period when they become susceptible to accrual which is when they become both "measurable" and "available" to finance expenditures of the fiscal period.

Taxpayer-assessed sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Utility and franchise taxes, licenses and permits, fines and forfeitures, charges for services and miscellaneous revenue (except investment earnings) are recorded as revenue when cash is received because they generally are not measurable until actually received. Investment earnings

City of New Roads, Louisiana
Notes to the Financial Statements

are recorded as earned when they are measurable and available. Where grant revenue is dependent upon expenditures by the City, revenue is recognized when the related expenditures are incurred.

Property tax revenues are recognized when they become available. Available means when due, or past due and receivable, and collected generally within 60 days after year end.

Expenditures are recognized under the accrual basis of accounting when the related fund liability is incurred.

Transfers between funds that are not expected to be repaid (and any other financing source/use) are accounted for as other financing sources (uses).

All Proprietary Funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

The revenue of Electric, Gas, Water, and Sewer systems, which is based upon rates authorized by the governing board, is determined by billings to customer. Earned but unbilled revenue is accrued and reported in the financial statements.

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, 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.

F. INVESTMENTS

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the municipality'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. GASB Statement No. 31, allows the City to report at amortized cost money market investments and participating interest-bearing investment contracts that have a remaining maturity at time of purchase of one year or less, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations. Interest earning investment contracts include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts. Investments of the City are reported at fair market value which approximates cost. (see note 4).

G. RECEIVABLES/PAYABLES

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

H. INVENTORIES

Inventories are valued at cost using the first in/first out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased.

City of New Roads, Louisiana
Notes to the Financial Statements

I. PREPAID ITEMS

The City records prepaid assets for any significant expenditure that can be allocable to future periods in both the government-wide and fund financial statements.

J. RESTRICTED NET POSITION

For government-wide statement of net position, net position is reported as restricted when constraints placed on net position use is either:

- 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; and
- 2) imposed by law through constitutional provisions or enabling legislation.

The City at its own discretion has also restricted certain funds to be spent for specific purposes. See subsequent paragraphs to this note for the further explanations of restrictions of fund equity.

K. CAPITAL ASSETS

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

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

Roads and infrastructure	20-50 Years
Buildings	40 Years
Land Improvements	20 Years
Machinery & equipment	5-20 Years
Furniture & fixtures	5-10 Years
Vehicles	5 Years

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In June 2011, GASB issued Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” effective for periods beginning after December 31, 2011. This statement provides guidance for reporting deferred outflows, deferred inflows and net position in a statement of financial position and related disclosures and applies to transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. The City’s deferred outflows consist of bond refunding costs (within the proprietary funds). Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. The City also reports deferred outflows/inflows of resources related to pensions (see Note 8).

M. OTHER POSTEMPLOYMENT BENEFITS

In November 2004, GASB issued Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.” This statement requires the accrual of other postemployment benefits for retired employees. The City has recorded a liability for other post-employment benefits as of December 31, 2017 (See note 9).

City of New Roads, Louisiana
Notes to the Financial Statements

In the government-wide financial statements, the other postemployment benefits liability is recorded as an expense and non-current liability and allocated on a functional basis. In the fund financial statements, other post employment benefit expenditures are recognized in the amount contributed to the plan or expected to be liquidated with expendable available financial resources. Expendable available financial resources generally refer to other postemployment benefit payments due and payable as of the end of the year.

N. COMPENSATED ABSENCES

Employees earn vacation in varying amounts according to years of service and vacation days are non-cumulative. Only with the Mayor’s approval can vacation time be carried over to the next year. At December 31, 2017, no vacation time was approved by the Mayor to be carried over. Vacation time off is paid at the employee’s base pay rate.

Vacation Earning Schedule
(Based on 8 hour days)

after 1 year of service	5 days
after 2 years of service	10 days
after 10 years of service	15 days
after 15 years of service	20 days

Employees earn 10 hours of sick leave per month beginning with the first day of employment. Sick leave can accumulate up to 1320 hours. Upon separation, retirement, or layoff with good cause employees have the option to accept a payout not to exceed a maximum of 264 hours and convert the remaining amount to the retirement system or to convert the total hours to the retirement system.

O. PENSIONS

Financial reporting information pertaining to the City’s participation in the Municipal Police Employees’ Retirement System (MPERS) & Municipal Employees’ Retirement System (MERS) is prepared in accordance with GASB Statement No. 68, “Accounting and Financial Reporting for Pensions”, as amended by GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date”, which have been adopted by the City for the fiscal year ended December 31, 2015.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MPERS and MERS and additions to/deductions from MPERS & MERS’ fiduciary net position have been determined on the same basis as they are reported by MPERS & MERS. The financial statements were prepared using the accrual basis of accounting, member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing MPERS & MERS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the City’s proportionate share of the plan’s net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense. See note 8 for additional information.

P. LONG-TERM OBLIGATIONS

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

In the fund financial statements, governmental fund types 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

City of New Roads, Louisiana
Notes to the Financial Statements

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.

Q. FUND EQUITY

Beginning with the fiscal year ending December, 2011, the City has adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The following describes the different classifications available for fund balances of governmental funds:

Nonspendable – amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted – amounts for which constraints have been externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or amounts that are imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can be used only for specific purposes determined by formal action of the City Council, who is the highest level of decision-making authority for the City of New Roads. Commitments cannot be used for any other purpose unless the same action that established them decides to modify or remove them.

Assigned – amounts that do not meet the criteria to be classified as either restricted or committed but are intended to be used for specific purposes. Amounts can only be assigned by the City Council or by a body or individual designated for that purpose.

Unassigned – the residual fund balance in the general fund.

When fund balance resources are available for a specific purpose, the City considers the most restrictive funds to be used first. However, the City reserves the right to spend unassigned resources first and to defer the use of more restrictive funds.

R. INTERFUND TRANSACTIONS

Permanent re-allocation of resources between funds of the reporting entity is classified as inter-fund transfers. For the purposes of the statement of activities, all inter-fund transfers between individual governmental and business-type funds have been eliminated.

S. SALES TAXES & HOTEL/MOTEL TAX

The City receives a one per cent (1%) sales and use tax. The sales tax ordinance requires that the avails of the City's sales tax be used for the purpose of constructing, acquiring, extending, improving and/or maintaining street and sidewalks (including widening, surfacing, repairing and street lighting), waterworks (including water supply, treatment, storage, and distribution), drainage facilities, sewerage facilities, public buildings, and/or fire department stations and any work or permanent public improvement, including equipment and furnishings therefore, title to which shall be in public; or for any one of more such purposes, or for any other lawful corporate purposes. During the current year the City passed an ordinance establishing a 2% hotel/motel tax to be assessed within the Memorial Boulevard Economic Development District & Downtown Development District with the proceeds to be used for economic development projects within each district.

City of New Roads, Louisiana
Notes to the Financial Statements

T. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City uses the following budget practices for the General Fund and Special Revenue Fund.

1. The proposed budget for fiscal year December 31, 2017 was made available for public inspection in accordance with RS 39:1306 beginning on December 8, 2016. The proposed budget was published in the official journal in accordance with RS 39:1306 on December 8, 2016. The public hearing was held in accordance with RS 39:1306 on December 20, 2016. The budget is legally adopted and amended, as necessary.
2. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.
3. Budgets are adopted on a GAAP basis.
4. Budget amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated requires the approval of the City Council. Amendments were made to the original budget for the year ending December 31, 2017 and are reflected in the budget comparisons.

B. DEPOSITS AND INVESTMENT LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. As reflected in Note 4 regarding cash and cash equivalents, the City was in compliance with the deposits and investment laws and regulations.

C. DEFICIT FUND EQUITY

As of December 31, 2017, the City's Electric Fund had deficit fund net position of \$156,352.

D. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had actual expenditures over budgeted appropriations for the year ended December 31, 2017.

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	\$ 5,089,957	\$ 5,164,597	\$ 5,225,614	\$ 61,017
HUD Section 8	\$ 262,275	\$ 185,275	\$ 188,271	\$ 2,996

E. COMPLIANCE WITH BOND AND CERTIFICATE OF INDEBTEDNESS COVENANTS

1. Compliance with Electric and Water/Sewer Revenue Bonds

City of New Roads, Louisiana
Notes to the Financial Statements

As of December 31, 2017, the City was in compliance with all revenue bond covenants. See Note 12 for a further discussion of these covenants.

NOTE 3 - LEVIED TAXES

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

	Authorized Millage	Levied Millage
Citywide taxes:		
General Alimony – General Fund	5.94	5.94

The following are the principal taxpayers for the city:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed</u>	<u>Amount Assessed</u>
Wal-Mart RE& Store	Real Estate	\$ 2,501,270	4.54%	\$ 14,858
Peoples Bank	Financial	1,699,980	3.08%	10,098
Maggio Motors, Inc.	Automobiles	1,553,150	2.82%	9,226
Regions Bank	Financial	1,364,930	2.48%	8,108
P.C. Healthcare	Nursing Facility	1,354,440	2.46%	8,045
		\$ 8,473,770	15.38%	\$ 50,335

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Cash and Cash Equivalents

Cash and Cash equivalents include bank accounts and short-term investments. See Note 1(E) for additional cash disclosure note information.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure the City’s deposits may not be returned. Deposits are exposed to custodial credit risk if they are either (a) uninsured and uncollateralized, or (b) uninsured and collateralized with securities held by the pledging financial institution or its trust department/agent but not in the name of the City. The City’s cash and investment policy, as well as state law, require that deposits be fully secured by federal deposit insurance or the pledge of securities owned by the bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the bank. The following chart represents bank balances for the City as of December 31, 2017. Deposits are listed in terms of whether they are exposed to custodial credit risk.

Bank Balances

	<u>Uninsured & Uncollateralized</u>	<u>Uninsured & Collateralized with Securities Held by Pledging Institution or It’s Trust Department/Agent But Not in the Entity’s Name</u>	<u>Total Bank Balances – All Deposits</u>	<u>Total Carrying Value – All Deposits</u>
Cash and Cash Equivalents	\$ -	\$ -	\$ 1,941,462	\$ 1,648,689

Total bank balances do not include petty cash amounts on hand of \$950 at year end.

City of New Roads, Louisiana
Notes to the Financial Statements

B. Investments

Investments are stated at fair value. See also Note 1 (F) for additional investment disclosure information.

Credit Risk - Investments

Investments permitted by state statute include obligations issued, insured or guaranteed by the U.S. government including certificates or other ownership interest in such obligations and/or investments in registered mutual or trust funds consisting solely of U.S. government securities. The City's investment program is limited to purchases of bank certificate of deposits, U.S. treasury and government agency obligations as well as investments in the Louisiana Asset Management Pool, Inc. (LAMP). LAMP is a nonprofit corporation formed by an initiative of the State Treasurer, and organized under the laws of the State of Louisiana which operates a local government investment pool. It is the City's opinion that since these securities are governmental agencies, credit risk is not a factor. LAMP is rated AAAM by Standard & Poor's.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the investment. Investments are exposed to custodial risk if the securities are (a) uninsured and unregistered and held by the counterparty or (b) uninsured, unregistered and held by the counterparty's trust department or agent but not in the name of the City. The following chart presents the investment position of the City as of December 31, 2017. The various types of investments are listed and presented by whether they are exposed to custodial credit risk.

Investments

	Uninsured, Unregistered, and Held by the Counterparty	Uninsured, Unregistered & Held by the Counterparty's Trust Department or Agent but Not in the Entity's Name	All Investments – Reported Amount	All Investments – Fair Value
Investments Not Categorized:				
LAMP	\$ -	\$ -	\$ 478,468	\$ 478,468
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 478,468</u>	<u>\$ 478,468</u>

Interest Rate Risk - Investments

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. Investments can be highly sensitive to changes in interest rates due to their terms and characteristics. The City's investment policy with regards to interest rate risk is to match cash flow requirements with cash flows from investments. This matching allows for securities to be held to maturity thereby avoiding realizing losses due to liquidation of securities prior to maturity, especially in a rising interest rate environment. Investing in longer term maturities that contain a "step up" in coupon interest rates will also contribute to the reduction of interest rate risk. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 89 as of December 31, 2017. Investments classified by maturity dates at December 31, 2017 are summarized below:

City of New Roads, Louisiana
Notes to the Financial Statements

	Fair Value	0-1 Years Before Maturity	1-5 Years Before Maturity	6+ Years Before Maturity
LAMP	\$ 478,468	\$ 478,468	\$ -	\$ -
Total	<u>\$ 478,468</u>	<u>\$ 478,468</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2017 are as follows:

Governmental activities:	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital assets not depreciated:				
Land	\$ 632,142	\$ -0-	\$ -0-	\$ 632,142
Capital assets being depreciated:				
Land Improvements	1,508,689	8,469	-0-	1,517,158
Construction in Progress	252,432	-0-	252,432	-0-
Infrastructure	14,608,954	416,384	-0-	15,025,338
Buildings	2,442,150	2,971	-0-	2,445,121
Equipment	864,376	26,150	-0-	890,526
Furniture & Fixtures	310,452	18,144	3,725	324,871
Transportation Equipment	413,863	36,890	89,177	361,576
Total assets	<u>21,033,058</u>	<u>509,008</u>	<u>345,334</u>	<u>21,196,732</u>
Less accumulated depreciation:				
Land Improvements	997,769	70,277	-0-	1,068,046
Infrastructure	11,595,218	97,479	-0-	11,692,697
Buildings	1,430,852	61,596	-0-	1,492,448
Equipment	537,273	50,443	-0-	587,716
Furniture & Fixtures	242,541	17,974	3,725	256,790
Transportation Equipment	226,293	57,054	81,664	201,683
Totals	<u>\$ 15,029,946</u>	<u>\$ 354,823</u>	<u>\$ 85,389</u>	<u>\$ 15,299,380</u>
Capital assets net of accumulated depreciation	<u>\$ 6,003,112</u>	<u>\$ 154,185</u>	<u>\$ 259,945</u>	<u>\$ 5,897,352</u>

Depreciation expense of \$354,823 for the year ended December 31, 2017, was charged to the general government function.

Proprietary activities:

A summary of proprietary property, plant, and equipment follows. Depreciation expense for the year ended December 31, 2017 was \$696,697.

City of New Roads, Louisiana
Notes to the Financial Statements

Proprietary Activities:	Balance			Balance
	January 1, 2017	Additions	Deletions	December 31, 2017
Land	\$ 113,585	\$ -0-	\$ -0-	\$ 113,585
Buildings	84,627	-0-	-0-	84,627
Improvements other than Building	26,599,439	130,255	-0-	26,729,694
Construction in Progress	-0-	-0-	-0-	-0-
Furniture & Fixtures	11,455	-0-	-0-	11,455
Transportation Equipment	297,543	-0-	-0-	297,543
Distribution	243,457	-0-	-0-	243,457
Equipment	138,478	580	-0-	139,058
Totals	27,488,584	130,835	-0-	27,619,419
Less accumulated depreciation	17,132,885	696,697	-0-	17,829,582
Net Fixed Assets	<u>\$ 10,355,699</u>	<u>\$ (565,862)</u>	<u>\$ -0-</u>	<u>\$ 9,789,837</u>

There were no construction commitments as of the end of the current fiscal year.

NOTE 6 - ACCOUNTS AND INTERGOVERNMENTAL RECEIVABLES

The following is a summary of receivables at December 31, 2017.

<u>Class of Receivable</u>	General Fund	Special Rev. Fund	Enterprise Fund
Intergovernmental			
Ad valorem	\$ 254,480	\$ -0-	\$ -0-
Federal	22,504	30,900	41,790
State	39,878	-0-	-0-
Local	24,737	-0-	-0-
Accounts	130,247	-0-	996,858
Total	<u>\$ 471,846</u>	<u>\$ 30,900</u>	<u>\$ 1,038,648</u>

The City uses the allowance method whereby uncollectible amounts due from customers' utility receivables are recognized as bad debts through the use of an allowance account or are charged off at the time information becomes available which indicates the particular receivable is not collectible. An allowance for doubtful accounts charge of approximately \$91,067 was recorded at December 31, 2017.

NOTE 7 - COMPENSATED ABSENCES

At December 31, 2017, employees of the City have accumulated and vested \$128,822 of employee leave benefits, which was computed in accordance with GASB Codification C60. Of this amount, \$122,132 is recorded as an obligation of the General Fund and \$6,690 is an obligation of the proprietary funds.

NOTE 8 - PENSION PLAN

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

- A. Municipal Employees' Retirement System of Louisiana (MERS)

City of New Roads, Louisiana
Notes to the Financial Statements

Plan Description. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns, and cities within the state, which did not have their own retirement system and which elected to become members of the system. The System is administered by a Board of Trustees composed of eleven members, three of whom shall be active and contributing members of the System with at least ten years creditable service and who are elected to office in accordance with the Louisiana Election Code, three of whom shall be active and contributing members of the System with at least ten years creditable service and who are not elected officials; one of whom shall be president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana; the commissioner of administration, who shall be a nonvoting member; and the State Treasurer, who shall be a nonvoting member. The System is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was established and provided for by R.S. 11:1731 of the Louisiana Revised Statutes (LRS). Act#569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the MERS, effective on and after June 30, 1970. 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.

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. Any person eligible for membership but whose first employment making him eligible for membership in the System occurred on or after January 1, 2013 shall become a member of the MERS Plan A Tier 2 or MERS Plan B Tier 2 of the System as a condition of employment. All employees of the City are members of Plan A, therefore only Benefits for Plan A are reflected below.

Retirement Benefits

Benefit provisions are authorized within Act 356 of the 1954 regular session and amended by LRS 11:1756-11:1785. The following brief description of the plan and its benefits is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Any member of Plan A who commenced participation in the System prior to January 1, 2013 can retire providing he/she 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) or more years creditable service with legal spouse and at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated).
- 5) Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

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

City of New Roads, Louisiana
Notes to the Financial Statements

Any member of Plan A Tier 2 can retire providing he meets one of the following requirements.

- 1) Age 67 with seven years of creditable service.
- 2) Age 62 with ten years of creditable service.
- 3) Age 55 with thirty years of creditable service.
- 4) Any age with twenty-five years of creditable service with an actuarially reduced early benefit.
- 5) Survivor's benefits require five or more years of creditable service with legal spouse at least 12 months before death- 40% at age 60 or minimum of 20% immediately (actuarially calculated).

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

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

- 1) Surviving spouse who is not eligible for social security survivorship or retirement benefits, married no less than twelve (12) months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable for as long as the surviving spouse lives, or
- 2) A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon death of the member and payable for as long as the surviving spouse lives. Selecting this benefit precludes the survivor from eligibility for the thirty-percent benefit payable when the surviving spouse attains the age of sixty years.

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

DROP Benefits

In lieu of terminating employment and accepting a service 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 the participation in the DROP, a lump sum equal to the balance in his/her account

City of New Roads, Louisiana
Notes to the Financial Statements

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.

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 additional cost of living increases to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred Benefits

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

Funding Policy. Under Plan A, members are required by state statute to contribute 9.50% (9.50% as of July 1, 2017) of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 24.75% (22.75% before July 1, 2017) of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The System also receives revenue sharing funds each year as appropriated by the legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System under Plan A for the years ending December 31, 2017, 2016, and 2015, were \$288,005, \$246,921, and \$212,737, respectively, equal to the required contributions for each year. The amount of non-employer contributions recognized as revenue in the government-wide statement of activities was \$31,421 and non-employer contributions recognized in the business-type activities was \$11,017 for the year ended December 31, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2017, the City reported a liability of \$2,171,145 for its proportionate share of net pension liability within the governmental activities and \$713,236 for its proportionate share of net pension liability within its business-type activities. The net pension liability was measured as of June 30, 2017 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 a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2017, the City's proportion was 0.689479%, which was an increase of 0.009148% from its proportion measured as of June 30, 2016.

City of New Roads, Louisiana
Notes to the Financial Statements

For the year ended December 31, 2017, the City recognized pension expense of \$607,244. At December 31, 2017, the City recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 87,847
Changes in assumptions	48,230	-
Net difference between projected and actual earnings on pension plan investments	581,640	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	120,605	-
City contributions subsequent to the measurement date	148,918	-
Total	\$ 899,393	\$ 87,847

The \$148,918 reported as deferred outflows of resources relating to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2018	\$ 270,332
2019	240,013
2020	126,200
2021	26,083
2022	-0-
Thereafter	-0-
Total	\$ 662,628

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined based on the results of an experience study for the period July 2009 through June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal Cost.
Investment Rate of Return:	7.40%
Expected Remaining Service Lives:	3 years
Inflation rate	2.775%
Projected Salary increases:	5.0% (including inflation & merit increases).
Annuitant & beneficiary mortality:	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and 1 year for females projected to 2028 using scale AA.
Employee mortality:	RP-2000 Employees Sex Distinct Table set back back 2 years for both males and females.
Disabled lives mortality:	RP-2000 Disabled Lives Mortality Tables set back 5 years for males and 3 years for females.

Discount Rate. The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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.

City of New Roads, Louisiana
Notes to the Financial Statements

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Public Equity	50%	2.3%
Public Fixed Income	35%	1.6%
Alternatives	<u>15%</u>	<u>0.7%</u>
Totals	<u>100%</u>	4.6%
Inflation		<u>2.6%</u>
Expected Arithmetic Nominal Return		<u>7.2%</u>

The discount rate used to measure the total pension liability was 7.40% for the year ended June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2017 is 3 years for Plan A.

Sensitivity to Changes in Discount Rate. The following presents the City's proportionate share of the net pension liability using the discount rate of 7.4%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage lower (6.4%), or one percentage point higher (8.40%) than the current rate as of June 30, 2017.

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
City's proportionate share of the net pension liability	\$ 3,675,661	\$ 2,884,381	\$ 2,209,443

The Municipal Employees' Retirement System has issued a stand-alone audit report on their financial statements for the year ended June 30, 2017. Access to the report can be found on their website, www.mersla.com, or by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

B. Municipal Police Employees' Retirement System of Louisiana (MPERS)

Plan Description. The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. 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

City of New Roads, Louisiana
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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 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 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 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.

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

Initial Benefit Option Plan

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

Funding Policy. Plan members are required by state statute to contribute 10.0% (10.0% as of July, 1, 2017) of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 30.75% (31.75% before July 1, 2017) of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ending December 31, 2017, 2016, and 2015, were \$151,042, \$137,965, and \$140,263, respectively, equal to the required contributions for each year. 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. The amount of non-employer contributions recognized as revenue in the government-wide statement of activities was \$29,057 for the year ended December 31, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2017, the City reported a liability of \$1,328,840 for its proportionate share of net pension liability within the governmental activities. The net pension liability was measured as of June 30, 2017 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 a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipal police departments, actuarially determined. At June 30, 2017, the City's proportion was 0.152208%, which was an increase of 0.009265% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$6,305. At December 31, 2017, the City recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,701	\$ 10,214
Changes in assumptions	94,554	
Net difference between projected and actual earnings on pension plan investments	58,172	-
Changes in proportion and differences between City's contributions and proportionate share of contributions	52,247	261,131
City contributions subsequent to the measurement date	72,124	-
Total	\$ 285,798	\$ 271,345

The \$72,124 reported as deferred outflows of resources relating to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2018	\$ (65,340)
2019	(26,306)
2020	65,151
2021	(31,176)
2022	-0-
Thereafter	-0-
Total	\$ (57,671)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined based on the results of an actuarial experience study for the period of July 1, 2009 through June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal Cost.
Investment Rate of Return:	7.325%, net of investment expense.
Expected Remaining Service lives:	4 years
Inflation Rate:	2.70%
Salary increases, including inflation and merit:	Years of service 1-2; salary growth rate 9.75% Years of service 3-23; salary growth rate 4.75% Years of service over 23; salary growth rate 4.25%
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.
Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

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

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target asset allocation as of June 30, 2017 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%	3.66%
Fixed Income	21%	.52%
Alternatives	20%	1.10%
Other	<u>6%</u>	<u>0.16%</u>
Totals	<u>100%</u>	<u>5.44%</u>
Inflation		<u>2.75%</u>
Expected Nominal Return		<u>8.19%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.325%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by the Public Retirement Systems' Actuarial Committee 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 City's proportionate share of the net pension liability using the discount rate of 7.325%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage lower (6.325%), or one percentage point higher (8.325%) than the current rate as of June 30, 2017.

	1% Decrease (6.325%)	Current Discount Rate (7.325%)	1% Increase (8.325%)
City's proportionate share of the net pension liability	\$ 1,835,921	\$ 1,328,840	\$ 903,436

The Municipal Police Employees' Retirement System has issued a stand-alone audit report on their financial statements for the year ended June 30, 2017. Access to the report can be found on their website, www.lampers.org, or by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The City of New Roads' medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service. Complete plan provisions are included in the official plan documents.

City of New Roads, Louisiana
Notes to the Financial Statements

Contribution Rates. Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy. Until 2009, the City of New Roads recognized the cost of providing post-employment medical benefits (the City of New Roads' portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2017, the City's portion of health care funding cost for retired employees totaled \$125,114.

Effective January 1, 2009, the City of New Roads implemented Governmental Accounting Standards Board Codification Section P50, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB Codification Section P50). This amount was applied toward the net OPEB benefit obligation as shown in the following table.

Annual Required Contribution. The City of New Roads' Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification Section P50. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	Medical		
	Governmental Activities	Business Type Activities	Total
Normal Cost	\$ 73,309	\$ 17,249	\$ 90,558
30-year UAL amortization amount	125,755	29,588	155,343
Annual required contribution (ARC)	\$ 199,064	\$ 46,837	\$ 245,901

Net Post-employment Benefit Obligation (Asset). The table below shows the City of New Roads' Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending December 31, 2017:

	Medical		
	Governmental Activities	Business Type Activities	Total
Beginning Net OPEB Obligation (Asset)	\$ 778,135	\$ 156,607	\$ 934,742
Annual required contribution	199,064	46,837	245,901
Interest on Net OPEB Obligation (Asset)	31,126	6,264	37,390
ARC Adjustment	(45,000)	(9,056)	(54,056)
OPEB Cost	185,190	44,045	229,235
Contribution	-0-	-0-	-0-
Current year retiree premium	(101,284)	(23,831)	(125,115)
Change in Net OPEB Obligation	83,906	20,214	104,120
Ending Net OPEB Obligation (Asset)	\$ 862,041	\$ 176,821	\$ 1,038,862

The following table shows the City of New Roads' annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset) for last year and this year:

City of New Roads, Louisiana
Notes to the Financial Statements

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Liability (Asset)
December 31, 2017	\$ 229,235	54.58%	\$ 1,038,862
December 31, 2016	221,663	52.26%	934,742

Funded Status and Funding Progress. In 2017, the City of New Roads made no contributions to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2015 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2017, was \$2,793,604, which is defined as that portion, as determined by a particular actuarial cost method (the City of New Roads uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

	Medical		Total
	Governmental Activities	Business Type Activities	
Actuarial Accrued Liability (AAL)	\$ 2,261,422	\$ 532,182	\$ 2,793,604
Actuarial Value of Plan Assets	-0-	-0-	-0-
Unfunded Act. Accrued Liability(UAAL)	2,261,422	532,182	2,793,604
Funded Ratio (Act. Val. Assets/AAL)	0%	0%	0%
Covered Payroll (active plan members)	1,381,901	325,139	1,707,040
UAAL as a percentage of covered payroll	163.65%	163.65%	163.65%

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of New Roads and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of New Roads and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of New Roads and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method. The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets. There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50 will be used.

City of New Roads, Louisiana
Notes to the Financial Statements

Turnover Rate. An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10%. It has also been assumed, based on past experience, that 5% of future eligible retirees will decline coverage.

Post employment Benefit Plan Eligibility Requirements. Based on past experience, it has been assumed that entitlement to benefits will commence three years after the earliest retirement (D.R.O.P. entry) eligibility, as described above under "plan Description". The three years consists of the three year D.R.O.P. period. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate). GASB Codification Section P50 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The City pays 80% of the retiree premium (the blended active/retired rate) before Medicare eligibility, and also pays 80% of the unblended premium after the retiree's eligibility for Medicare (age 65), except for several "grandfathered" retirees over age 65 for whom the employer pays 100% of the unblended premium. The employer pays for the retiree only, not for dependents. Since GASB Codification Section P50 mandates that "unblended" rates applicable to the coverage provided to retirees be used, we have estimated the "unblended" rates for retirees before Medicare eligibility. It has been assumed that the total retiree rate before Medicare eligibility is 130% of the blended active/retired rate.

Inflation Rate. Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases. This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases. The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Below is a summary of OPEB cost and contributions for the last three fiscal years.

City of New Roads, Louisiana
Notes to the Financial Statements

	OPEB Costs and Contributions		
	FY 2015	FY 2016	FY 2017
OPEB Cost	\$ 214,481	\$ 221,663	\$ 229,235
Contribution	-0-	-0-	-0-
Retiree premium	107,265	115,846	125,115
Total contribution and premium	107,265	115,846	125,115
Change in net OPEB obligation	\$ 107,216	\$ 105,817	\$ 104,120
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	50.01%	52.26%	54.58%

NOTE 10 - ACCOUNTS, SALARIES AND OTHER PAYABLES

The payables of \$610,057 at December 31, 2017, are as follows:

<u>Class of Payable</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Funds</u>
Salaries & Withholdings	\$ 30,639	\$ 0	\$ 7,334
Accounts	145,761	0	297,501
Other	122,132	0	6,690
Total	\$ 298,532	\$ 0	\$ 311,525

NOTE 11 - LEASES

The City has an operating lease of the following nature:

In March 1952, the City entered into a 99-year lease agreement with St. Mary's Roman Catholic Church of False River to supply its utilities in exchange for the use of land on which part of the City Hall now stands. In August, 1980, a decree was passed which limited the amount of utilities the church could obtain for the use of the land. The value of the operating lease payments remaining on all leases is as follows:

<u>Year Ending 12/31</u>	<u>St. Mary's</u>
2018	\$ 30,105
2019	30,105
2020	30,105
2021	30,105
2022	30,105
2023-2049	854,502
	\$ 1,005,027

The city records assets acquired through capital leases as an asset and an obligation in the accompanying financial statements. The city currently has a capital lease on a skate park as follows:

<u>Type</u>	<u>Recorded Amount</u>
Equipment – Skate Park	\$75,097

City of New Roads, Louisiana
Notes to the Financial Statements

The minimum annual commitments under the capital lease are as follows:

<u>Fiscal Year:</u>	<u>Equipment</u>
2018	\$17,623
2018	13,217
2019	-0-
2020	-0-
2021	<u>-0-</u>
Total minimum lease payments	\$30,840
Less amount representing interest	<u>1,757</u>
Present value of net minimum lease payments	<u>\$29,083</u>

NOTE 12 - CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2017:

	<u>Bonded Debt</u>	<u>Capital Leases</u>	<u>Total</u>
Long-term obligations payable at December 31, 2016	\$ 5,641,603	\$ 44,283	\$ 5,685,886
Additions	-0-	-0-	-0-
Deductions	<u>385,000</u>	<u>15,200</u>	<u>400,200</u>
Long-term obligations payable at December 31, 2017	5,256,603	29,083	5,285,686
Less current portion	<u>305,000</u>	<u>16,215</u>	<u>321,215</u>
Net long-term obligations	<u>\$ 4,951,603</u>	<u>\$ 12,868</u>	<u>\$ 4,964,471</u>

Revenue bonds and certificates of indebtedness are comprised of the following individual issues:

Revenue Bonds:

Electric System Upgrade:

\$6,000,000 2011 Utility Revenue Refunding Bonds due in semi-annual interest and annual principal installments of amounts from \$210,000 to \$425,000 with interest rates of 4.00% due through July 1, 2031. The Electric Utility System fund is used to retire these issues.

\$ 4,645,000

Water/Sewer System Upgrade:

\$1,000,000 2011 Utilities Revenue Bonds due in semi-annual interest and annual principal installments of amounts from \$40,000 to \$55,000, with interest rates of .95% due through July 1, 2031. The Water and Sewer Utilities fund is used to retire these issues.

\$ 611,603

At December 31, 2017, the municipality has accumulated and restricted \$566,600 in the proprietary funds for future debt requirements. The annual requirements to amortize all bonds outstanding at December 31, 2017, including interest payments of \$1,436,208 are as follows:

**City of New Roads, Louisiana
Notes to the Financial Statements**

ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT

<u>Year Ending 12/31</u>	Electric <u>Revenue Bonds</u>	Water/Sewer <u>Revenue Bond</u>	<u>Total</u>
2018	\$ 435,700	\$ 52,752	\$ 488,452
2019	435,300	52,527	487,827
2020	434,500	52,302	486,802
2021	433,300	52,077	485,377
2022	431,700	51,852	483,552
Thereafter	<u>3,892,600</u>	<u>368,201</u>	<u>4,260,801</u>
	<u>\$ 6,063,100</u>	<u>\$ 629,711</u>	<u>\$ 6,692,811</u>

Revenue Bonds:

On August 29, 2011, the City issued \$6,000,000 of Utility Revenue Refunding Bonds, Series 2011 to provide debt service reduction, to refund a portion of its Series 2001 Electric System Revenue Refunding Bonds (\$1,180,000), refund a portion of its Series 2001 Water & Sewer Revenue Refunding Bonds (\$1,255,000), refund a portion of its 2009 Water Meter Project lease (\$1,423,469), and acquire, upgrade, expand and construct City owned public improvements. These bonds were issued in one denomination of \$6,000,000 for private placement with a financial institution. They bear interest payable on January and July 1, of each year at rates of 4.00% and mature on July 1, of each year beginning July 1, 2012, with the final installment due on July 1, 2031. These bonds are secured by and payable in principal and interest from all excess revenues of the City. The bond resolutions require that the City will establish and maintain utility rates and fees so that the system will provide sufficient revenues to pay the normal operating expenses of the system, the annual debt payment, and the reserves and/or sinking funds required by bond agreement. The bond resolution required the establishment of the following accounts:

Electric System Revenue Fund, Water System Revenue Fund, and Gas System Revenue Fund -

The City is required to deposit daily into these funds the income and revenues earned from the operation of the utility system. This account is used to pay for the reasonable and necessary expenses of the system and fund the reserves required by the bond agreements.

2011 Utility Revenue Refunding Bond Sinking Fund -

This fund is to be used to pay the next required installment of interest and principal for the 2011 Utility System Revenue Bonds. The City is required to make monthly deposits by the 20th of each month, beginning September 1, 2011, equal to 1/6th of the next interest installment and 1/12th of the next principal installment.

2011 Excess Revenue Fund-

The City is to deposit into this account excess revenues which shall maintain a minimum balance of \$500,000 during the life of the 2011 bonds. The City covenants that it will budget annually, and exclusive of cumulative fund balance, during the life of the bonds and to maintain Excess Revenues available for repayment of principal and interest of the maximum annual debt service (MADS) of the bonds and all outstanding parity obligations in an amount equal to 1.15 times MADS, to be tested annually by an independent Certified Public Accountant. The City has met the requirement of excess revenues in an amount equal to 1.15 times MADS as of December 31, 2017.

Water / Sewer System Revenue Bonds:

On February 15, 2011, the City issued \$1,000,000 of Utilities Revenue Bonds, Series 2011, the bond to be purchased by the Louisiana Department of Environmental Quality in order to grant the City a loan from the Municipal Facilities Revolving Loan Fund for the purpose of constructing, acquiring, extending and/or improving the sewer portion of the combined water treatment and distribution system and sewerage collection, treatment, and disposal system. The amount and dates of the principal installment of the bonds

**City of New Roads, Louisiana
Notes to the Financial Statements**

shall be determined as of the date of delivery of the bonds in integral multiples of \$1,000 or \$5,000, so that the combined annual principal, interest and administrative fee on the bonds from and after the scheduled project completion date shall be approximately equal. If the full amount of the bond issuance is not purchased, then upon final payment of the loan, the schedule of principal payments shall be recalculated so that the actual amount of principal, interest and administrative fee due each bond year are approximately equal. The bond bears interest, payable on January and July 1 of each year, at a rate of .95% and matures on July 1 of each year beginning July 1, 2012, with the final installment due on July 1, 2031. These bonds are secured by and payable in principal and interest solely from the income and revenues earned from the water/sewer system. The bond resolution requires that the City will establish and maintain water and sewer rates and fees so that the system will provide sufficient revenues to pay the normal operating expenses of the system, the annual debt payments, and fund the reserves and/or sinking funds required by the bond agreement. The bond resolution required the establishment of the following accounts:

Water and Sewer System Revenue Fund -

The City is required to deposit daily into this fund the income and revenues earned from the operation of the water and sewer system. This account is used to pay for the reasonable and necessary expenses of the system and fund the reserves required by the bond agreement.

Water and Sewer System Revenue Bonds Sinking Fund –

This fund is to be used to pay the next required installment of interest and principal. The City is required to make monthly deposits by the 20th of each month, beginning in March 2011, equal to 1/6th of the next interest installment and 1/12th of the next principal installment.

Water and Sewer Revenue Bond Debt Service Fund -

This fund is to be used solely for the purpose of paying the principal and interest on the bonds payable for the Sinking Fund, if they should otherwise go into default. It is required to be funded in an amount equal to the highest combined principal and interest requirement for any succeeding sinking fund year. The Reserve Fund was initially funded with \$251,348 from the 2001 bond issuance proceeds. Monies in the reserve fund must be invested in Government Securities, maturing in five years or less from the date of investment.

Water and Sewer System Capital Additions and Contingencies Fund -

The City is to deposit into this account by the 20th of each month, 5% of the gross revenues of the system for the preceding month. The funding must continue until \$200,000 has been accumulated in the account. These monies may be used to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the systems. They may also be used to pay principal and interest on the bonds if there are insufficient funds in the Sinking or Reserve funds, however, the fund may not be depleted for the above uses to less than \$5,000. If this balance is reduced below \$200,000, funding shall be resumed until the maximum is again accumulated.

NOTE 13 - INTERGOVERNMENTAL PAYABLE

The following is a summary of the intergovernmental payable due other governments at December 31, 2017:

<u>Payable to:</u>	<u>General Fund</u>	<u>Proprietary Funds</u>
Pointe Coupee Police Jury	\$ 9,012	\$ -0-
Pointe Coupee Sewer Districts	-0-	13,947
La. Department of Revenue	-0-	6,212
	<u>\$ 9,012</u>	<u>\$ 20,159</u>
Totals		

City of New Roads, Louisiana
Notes to the Financial Statements

NOTE 14 - INTERFUND RECEIVABLES/PAYABLES

The following is a summary of interfund receivable and payable balances at December 31, 2017:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Enterprise Funds –		
Electric Utility System:		
General Fund	\$ 173,465	\$ 16,208
Gas Utility System	-0-	42,824
Water/Sewer System	17,035	-0-
Gas Utility System:		
General Fund	-0-	6,992
Electric Utility System	42,824	-0-
Water/Sewer System	-0-	-0-
Water/Sewer Utility System:		
General Fund	-0-	32,263
Electric Utility System	-0-	17,035
Gas Utility System	-0-	-0-
General Fund –		
Electric Utility System	16,208	173,465
Gas Utility System	6,992	-0-
Water/Sewer System	32,263	-0-
	<u>\$ 288,787</u>	<u>\$ 288,787</u>

NOTE 15 - INTERFUND TRANSFERS

The following is a summary of interfund transfers which occurred during the year ended December 31, 2017. The transfers were made from the proprietary funds in order to help fund additional governmental activities.

	<u>Transfer In From</u>	<u>Transfer Out To</u>
General Fund –		
Electric Utility System	\$ 916,500	\$ -0-
Gas Utility System	449,000	-0-
Water/Sewer Utility System	300,000	-0-
Enterprise Funds –		
Electric Utility System:		
General Fund	-0-	\$ 916,500
Gas Utility System:		
General Fund	-0-	449,000
Water/Sewer Utility System:		
General Fund	-0-	300,000
	<u>\$ 1,665,500</u>	<u>\$ 1,665,500</u>

NOTE 16 - RESTRICTED AND NONSPENDABLE NET POSITION/FUND BALANCES

Proprietary Funds:

Unrestricted net position for proprietary funds represents the net position available for future operations or distributions.

City of New Roads, Louisiana
Notes to the Financial Statements

Restrictions of net position of enterprise funds are created by increases in assets restricted for a certain use. These increases result from earnings on restricted assets and other interfund transfers to restricted accounts. Earnings on restricted assets are included in net income of the Enterprise Funds. When restricted net positions are increased there is an equal reduction to the portion of net position that is unrestricted. Specific restrictions of net position are described below:

Restricted for Bond indentures - This represents the amounts required to be held in the sinking, reserve, and excess revenue accounts in accordance with the bond agreements for the \$6,000,000 utility revenue refunding bonds issued in 2011, and the \$1,000,000 utility revenue bonds issued in 2011.

Restricted for Capital Additions - This represents the amounts required to be held in the capital additions and contingencies accounts in accordance with the bond agreements for the \$1,000,000 utility revenue bonds issued in 2011. It also represents internal restrictions by the City to be used for capital additions in coming years.

Governmental Funds:

The unassigned fund balances for governmental funds represent the amount available for budgeting future operations. Restrictions of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific restrictions of the fund balance accounts are summarized below.

Nonspendable for prepaid expenses – This restriction was created to segregate a portion of the fund balance account to account for insurance expenses that have already been prepaid and will be recognized as an expense in the next operating cycle.

Restricted for Liability Claims - This restriction was imposed by a third party administrator to segregate a portion of the fund balance account to cover any costs that might be incurred due to changes in the coverage should any claims not be reported when incurred, which had the effect of reducing liability insurance premiums.

Restricted for Grants - Funds restricted by grants for future program costs. This restriction occurs in the HUD Section 8 Fund.

NOTE 17 - SEGMENT INFORMATION

Some services provided by the City are financed by user charges - electric, water, sewer, and natural gas. Due to the fact that these enterprise funds are both a segment and a major fund, segment information disclosure is not mandatory. However, significant financial data for these enterprises is reflected as follows:

	Electric	Natural Gas	Water/Sewer	Total
Operating Revenues	\$ 5,021,416	\$ 1,004,414	\$ 1,280,664	\$ 7,306,494
Depreciation	236,625	45,561	414,511	696,697
Operating Income	1,169,058	394,382	55,855	1,619,295
Change in Net Position	46,797	(54,124)	(176,825)	(184,152)
Property, Plant, and Equipment Additions	98,001	1,075	31,759	130,835
Total Assets	5,537,735	871,125	6,795,069	13,203,929
Fund Equity	(156,352)	781,462	5,871,782	6,496,892
Net Working Capital	583,400	267,263	195,817	1,046,480

City of New Roads, Louisiana
Notes to the Financial Statements

NOTE 18 - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

A portion of the salaries of the City's police officers are paid through a supplement from the state. These payments, remitted directly to the officers, provides the officers of the city with an additional \$500 per month, which is added to their base salary. For the year ended December 31, 2017, \$56,450 was received from the state and is included in revenues under intergovernmental revenue and in expenses under public safety on the combined statement of revenue, expenditures, and changes in fund balance.

NOTE 19 – OTHER EMPLOYMENT BENEFITS

The city provides certain health care benefits for its active employees. Substantially all employees may participate while working for the city. These benefits are provided through an insurance company whose monthly premiums are paid 80% by the city and 20% by the employee. The cost of employee's benefits totaled \$643,672 and \$449,694 for the years ended December 31, 2017 and 2016, respectively.

NOTE 20 - JOINT VENTURES

Condensed or summarized below is the latest available financial information on the City's joint venture with the Parish:

<u>False River Air Park Commission</u>	<u>(Unaudited)</u>
Balance Sheet Date	12/31/16
Total Assets (not including GFA)	\$ 50,681
Total General Fixed Assets (GFA)	7,849,672
Total Liabilities	50,974
Total Net Position	7,849,379
Total Revenues	288,293
Total Expenditures	625,039
Total Other Financing Sources (Uses)	357,340
Net Increase (Decrease) in Net Position	20,594

False River Air Park Commission

The False River Air Park Commission is 50% owned by the City. For the year ended December 31, 2017, the City contributed \$46,500 as an operating grant and \$5,573 for insurance to cover expenses of the facility. The False River Air Park Commission is a component unit of the Pointe Coupee Parish Police Jury because the Pointe Coupee Parish Police Jury is the governing authority for Pointe Coupee Parish.

NOTE 21 - LITIGATION AND CLAIMS

The City is a defendant in 11 pending lawsuits. It is in the City counsels' opinion that the City is fully insured against the risk involved in the respective actions and that they are being actively defended by counsel of the City and their insurers. The ultimate resolution of these lawsuits cannot be presently determined and no provision for any liability that may result from such claims has been made in the financial statements. Claims and litigation costs of \$89,993 were incurred in the current year and recorded as current-year expenditure in the General Fund.

NOTE 22 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; health benefits; and natural disasters. The City currently reports all of its risk management activities in its General Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. In a

City of New Roads, Louisiana
Notes to the Financial Statements

previous year, the City elected the “reimbursement method” for unemployment compensation benefits. If any claims are paid by the state, the City reimburses the state from the general operating account. The City had estimated unemployment compensation liability as of year-end of \$0, which has been recognized in year-end accounts payable.

In a previous year, the City decided to retain some of the risk with respect to at-fault damages to City owned vehicles. The City carries a fleet insurance policy on all City owned vehicles, but is self-insured for at-fault damage to City owned vehicles. The amount of insurance premiums saved when this account was established, plus annual interest earnings funded the cash account. In May 2001, the City increased its deductible, due to high premium costs, on its auto liability policy to \$100,000 with a maximum aggregate loss of \$500,000 and implemented self-insured retention. The City has no estimated liability for damaged vehicles or liability claims as of year-end. At year-end, this cash account had \$4,031 held for purposes of funding future claims. As a result, \$4,031 of the general fund balance is restricted for payment of future vehicle liability claims.

The City has adopted the provisions of GASB Statement Number 10 “Accounting and Financial Reporting for Risk Financing and Related Insurance Item”. This self-insured fund is accounted for in the General Fund. As required by this statement, a reconciliation of claims liabilities and reservations is shown below.

	Unemployment Compensation	Vehicle Liability	Totals
Beginning of Fiscal Year Liability	\$ -0-	\$ -0-	\$ -0-
Current Year Claims & Changes in Estimates	-0-	46,905	46,905
Claim Payments	-0-	(46,905)	(46,905)
End of Fiscal Year Liability	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE 23 - LOUISIANA ENERGY AND POWER AUTHORITY CONTRACT

The Louisiana Energy and Power Authority (LEPA), a political subdivision of the State of Louisiana, has joined nineteen Louisiana municipalities together in order to provide the members facilities for the generation and transmission of electric power. LEPA has obtained a 20% undivided ownership interest in a coal-fired steam electric generating unit under a Joint Ownership Agreement. The other two members of the agreement, Central Louisiana Electric Company, Inc. (CLECO) and Lafayette Public Power Authority (LPPA) have ownership interests of 30% and 50%, respectively. An Owner Committee consisting of LEPA, CLECO, and LPPA was formed to make recommendations to CLECO, the plant operator, and to decide on various issues including construction and operating budgets.

On October 1, 1992, the City together with four other cities entered into Power Sales Contracts with LEPA. Each city is required to purchase its respective entitlement share of generated electricity. The aggregate entitlement shares of all the cities equals 100%, of which the City’s share is 2.83%. Each city is required to pay monthly for its entitlement share of power capability and energy on a take-or-pay basis, whether or not the unit is operating. The Power Sales Contracts will continue in effect until all bonds issued by LEPA have been provided for or the date the Contracts are terminated and settlement complete; however, in no event will the contracts continue beyond July 1, 2023.

On June 1, 2016, the City began purchasing power from NRG Energy under a five-year contract to provide for more stable energy costs, thereby ending its energy purchase agreement with LEPA. However, the City is still responsible for its share of power on a take-or-pay basis with LEPA until the City can sell its share to other participants under the LEPA agreements or the end date of the contracts in 2023.

City of New Roads, Louisiana
Notes to the Financial Statements

NOTE 24 - UTILITY SERVICE AGREEMENTS

Pointe Coupee Parish Sewerage District No. 1 & 3A

An agreement between the Sewerage District No. 1 & 3A of Pointe Coupee Parish and the City provided for the billing of customers on the sewerage system whom are also customers on the City's utility system. This billing agreement went into effect for the month of November 1980.

Pointe Coupee Parish Sewage District No. 4

An agreement between the Sewage District No. 4 of Pointe Coupee Parish and the City provides for the City to handle operation and maintenance of the system with full cost reimbursement to the City for any expenses incurred in the process. The Sewer District will be able to discharge into the City's oxidation ponds in exchange for a flat fee per gallon, with re-examination of the fees every two years of the agreement.

NOTE 25 – OTHER MATTER

The Louisiana Office of Inspector General (OIG) performed an investigation into the city's finances with regards to expenditures on city credit cards for the years 2011 through 2014. Our testing of prior year transactions on city credit cards indicated missing receipts and personal charges incurred in violation of Article 7, Section 14 of the Louisiana Constitution for which prior reports cited findings to these violations. The report from OIG was turned over to the District Attorney's office who filed 9 counts of malfeasance charges and 1 count of abuse of power charge against Mayor Robert Meyer. The case was resolved in 2017 with Mayor Myer pleading no contest to one count of malfeasance in office, requiring him to pay restitution and resign from office.

NOTE 26 - COMPENSATION PAID TO BOARD MEMBERS

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, compensation paid to board members during the year ended December 31, 2017 is as follows:

Mayor – Robert Myer (resigned)	\$ 54,161
Anthony Daisy (appointed)	7,154
Council:	
Anthony Daisy (prior)	13,970
Elmer G. Dixon	2,470
Vernell Davis	14,400
Kurt Kellerman	14,400
Bernadine St. Cyr	13,986
Kirk White	<u>14,044</u>
 Total Compensation	 <u>\$ 134,585</u>

NOTE 27 – FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The City participated in the following federal financial assistance programs during the year ending December 31, 2017.

City of New Roads, Louisiana
Notes to the Financial Statements

Federal Grantor/ Pass-Through Grantor Federal Grants/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
United States Department of Housing And Urban Development			
Direct:			
Section 8 Housing Choice Vouchers	14.871	Proj #LA205	<u>\$ 150,933</u>
Total (All Federal)			<u>\$ 150,933</u>

NOTE 28 - DEFINITION OF CASH AND CASH EQUIVALENTS USED IN THE STATEMENT OF CASH FLOWS

For the purpose of the Statement of Cash Flows presented in the proprietary type funds, cash and cash equivalents are defined as unrestricted and restricted cash.

NOTE 29 – SUBSEQUENT EVENTS

Management has performed an evaluation of the City’s activities through June 19, 2018, and has concluded that there are no significant subsequent events requiring recognition or disclosure through the date and time these financial statements were available to be issued on June 19, 2018.

**CITY OF NEW ROADS, LOUISIANA
GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2017**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 1,921,400	\$ 1,814,400	\$ 1,838,228	\$ 23,828
Licenses & permits	374,000	284,000	289,459	5,459
Intergovernmental revenue	437,045	266,110	277,061	10,951
Charges for services	1,111,380	1,024,680	1,064,057	39,377
Fines and forfeitures	60,060	60,060	49,940	(10,120)
Miscellaneous	80,500	71,500	67,689	(3,811)
Total revenues	3,984,385	3,520,750	3,586,434	65,684
EXPENDITURES				
General government	1,441,088	1,498,513	1,497,112	1,401
Public safety	1,285,950	1,343,550	1,380,819	(37,269)
Streets and sanitation	1,018,497	1,057,497	1,098,490	(40,993)
Transportation	47,000	52,000	52,073	(73)
Culture and recreation	391,932	465,782	472,965	(7,183)
Economic development and assistance	141,985	99,985	98,707	1,278
Educational	50,000	42,000	37,721	4,279
Capital outlay	399,375	278,140	256,577	21,563
Debt service	-	15,000	15,201	(201)
Public works	314,130	312,130	315,949	(3,819)
Total expenditures	5,089,957	5,164,597	5,225,614	(61,017)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,105,572)	(1,643,847)	(1,639,180)	4,667
OTHER FINANCING SOURCES (USES)				
Transfers in	1,130,000	1,655,000	1,665,500	10,500
Sale of fixed assets	5,500	5,500	10,300	4,800
Transfers out	-	-	-	-
Total other financing sources (uses)	1,135,500	1,660,500	1,675,800	15,300
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	29,928	16,653	36,620	19,967
FUND BALANCES AT BEGINNING OF YEAR	127,407	87,946	87,946	-
FUND BALANCES AT END OF YEAR	\$ 157,335	\$ 104,599	\$ 124,566	\$ 19,967

**EMPLOYEE HEALTH CARE PLAN
DECEMBER 31, 2017**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2009	\$-0-	\$2,409,474	\$2,409,474	0%	\$1,827,042	131.88%
January 1, 2010	\$-0-	\$2,606,087	\$2,606,087	0%	\$1,944,936	133.99%
January 1, 2011	\$-0-	\$2,710,331	\$2,710,331	0%	\$1,592,960	170.15%
January 1, 2012	\$-0-	\$2,539,775	\$2,539,775	0%	\$1,506,698	168.56%
January 1, 2013	\$-0-	\$2,641,366	\$2,641,366	0%	\$1,509,819	174.95%
January 1, 2014	\$-0-	\$2,747,021	\$2,747,021	0%	\$1,600,154	171.67%
January 1, 2015	\$-0-	\$2,582,844	\$2,582,844	0%	\$1,554,543	166.15%
January 1, 2016	\$-0-	\$2,686,158	\$2,686,158	0%	\$1,610,612	166.77%
January 1, 2017	\$-0-	\$2,793,604	\$2,793,604	0%	\$1,707,040	163.65%

**CITY OF NEW ROADS
NEW ROADS, LOUISIANA**

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY -
MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM**

December 31, 2017

<u>Fiscal Year Ended June 30:</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
City's proportion of the net pension liability (asset)	0.152208%	0.142943%	0.208971%	0.216869%	0.252845%	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
City's proportionate share of the net pension liability (asset)	\$ 1,328,840	\$ 1,339,779	\$ 1,637,069	\$ 1,356,750	\$ 2,019,835	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
City's covered-employee payroll	\$ 455,370	\$ 400,797	\$ 548,073	\$ 573,973	\$ 550,630	\$ 586,171	\$ 595,592	\$ 566,713	\$ 542,511	\$ 574,429
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	291.82%	334.28%	298.70%	236.38%	366.82%	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
Plan fiduciary net position as a percentage of the total pension liability	70.08%	66.04%	70.73%	75.10%	66.71%	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable

**CITY OF NEW ROADS
NEW ROADS, LOUISIANA**

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY -
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

December 31, 2017

<u>Fiscal Year Ended June 30:</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
City's proportion of the net pension liability (asset)	0.689479%	0.680331%	0.576683%	0.575858%	0.558063%	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
City's proportionate share of the net pension liability (asset)	\$ 2,884,381	\$ 2,788,480	\$ 2,060,002	\$ 1,477,908	\$ 1,729,665	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
City's covered-employee payroll	\$ 1,252,138	\$ 1,225,969	\$ 998,475	\$ 941,903	\$ 972,943	\$ 949,098	\$ 1,082,808	\$ 1,106,947	\$ 1,073,963	\$ 1,087,346
City's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	230.36%	227.45%	206.31%	156.91%	177.78%	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
Plan fiduciary net position as a percentage of the total pension liability	62.49%	62.11%	66.18%	73.99%	67.97%	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable

**CITY OF NEW ROADS
NEW ROADS, LOUISIANA**

**SCHEDULE OF CITY'S CONTRIBUTIONS -
MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM**

December 31, 2017

<u>Fiscal Year Ended June 30:</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 144,580	\$ 118,235	\$ 172,643	\$ 177,932	\$ 170,695	\$ 155,335	\$ 148,898	\$ 62,338	\$ 51,539	\$ 78,984
Contributions in relation to the contractually required contribution	\$ 144,580	\$ 118,235	\$ 172,643	\$ 177,932	\$ 170,695	\$ 155,335	\$ 148,898	\$ 62,338	\$ 51,539	\$ 78,984
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 455,370	\$ 400,797	\$ 548,073	\$ 573,973	\$ 550,630	\$ 586,171	\$ 595,592	\$ 566,713	\$ 542,511	\$ 574,429
Contribution as a percentage of covered-employee payroll	31.75%	29.50%	31.50%	31.00%	31.00%	26.50%	25.00%	11.00%	9.50%	13.75%

**CITY OF NEW ROADS
NEW ROADS, LOUISIANA**

**SCHEDULE OF CITY'S CONTRIBUTIONS -
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

December 31, 2017

<u>Fiscal Year Ended June 30:</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 284,861	\$ 242,129	\$ 197,199	\$ 176,607	\$ 165,400	\$ 158,974	\$ 154,300	\$ 149,438	\$ 144,985	\$ 146,792
Contributions in relation to the contractually required contribution	\$ 284,861	\$ 242,129	\$ 197,199	\$ 176,607	\$ 165,400	\$ 158,974	\$ 154,300	\$ 149,438	\$ 144,985	\$ 146,792
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,252,138	\$ 1,225,969	\$ 998,475	\$ 941,903	\$ 972,943	\$ 949,098	\$ 1,082,808	\$ 1,106,947	\$ 1,073,963	\$ 1,087,346
Contribution as a percentage of covered-employee payroll	22.75%	19.75%	19.75%	18.75%	17.00%	16.75%	14.25%	13.50%	13.50%	13.50%

CITY OF NEW ROADS, LOUISIANA
New Roads, Louisiana

Notes to Required Supplementary Information
For the Year Ended December 31, 2017

Municipal Police Employees' Retirement System
&
Municipal Employees' Retirement System

Changes in Assumptions or Other Inputs. Changes in 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.

Changes 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 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.

**CITY OF NEW ROADS
New Roads, Louisiana**

NON-MAJOR GOVERNMENTAL FUNDS

HUD-Section 8 Program Fund

The HUD-Section 8 Program Fund is used to account for funds which are designated to aid low-income families to obtain decent, safe, and sanitary housing through a system of rental subsidies.

CITY OF NEW ROADS, LOUISIANA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 December 31, 2017

	HUD - SECTION 8 SPECIAL REVENUE FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>		
Current Assets		
Accounts receivable	-	-
Due from other funds	-	-
Due from other governmental units	30,900	30,900
Prepaid expenses	-	-
Restricted Assets		
Cash	\$ 76,176	\$ 76,176
TOTAL ASSETS	\$ 107,076	\$ 107,076
 <u>LIABILITIES & FUND BALANCE</u>		
LIABILITIES:		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
TOTAL LIABILITIES	-	-
 FUND BALANCE		
Restricted for:		
Reserved for prepaid expenses	-	-
Civic center operations	-	-
Federal grant	107,076	107,076
TOTAL FUND BALANCE	107,076	107,076
TOTAL LIABILITIES & FUND BALANCE	\$ 107,076	\$ 107,076

CITY OF NEW ROADS, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	HUD SECTION 8 SPECIAL REVENUE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES		
Intergovernmental revenue	\$ 136,526	\$ 136,526
Charges for services	-	-
Miscellaneous	44,125	44,125
Total revenues	<u>180,651</u>	<u>180,651</u>
EXPENDITURES		
Culture & recreation	-	-
Capital outlay	-	-
Welfare	188,271	188,271
Total expenditures	<u>188,271</u>	<u>188,271</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,620)</u>	<u>(7,620)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(7,620)	(7,620)
FUND BALANCES AT BEGINNING OF YEAR	<u>114,696</u>	<u>114,696</u>
FUND BALANCES AT END OF YEAR	<u>\$ 107,076</u>	<u>\$ 107,076</u>

CITY OF NEW ROADS, LOUISIANA
NON-MAJOR GOVERNMENTAL FUNDS
HUD SECTION 8
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2017

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Intergovernmental revenue	250,000	149,000	136,526	(12,474)
Miscellaneous	18,000	23,850	44,125	20,275
Total revenues	268,000	172,850	180,651	7,801
EXPENDITURES				
Education	-	-	-	-
Welfare	262,275	185,275	188,271	(2,996)
Total expenditures	262,275	185,275	188,271	(2,996)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,725	(12,425)	(7,620)	4,805
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	5,725	(12,425)	(7,620)	4,805
FUND BALANCES AT BEGINNING OF YEAR	105,164	114,696	114,696	-
FUND BALANCES AT END OF YEAR	\$ 110,889	\$ 102,271	\$ 107,076	\$ 4,805

**CITY OF NEW ROADS
NEW ROADS, LOUISIANA**

**SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD**

For the Year Ended December 31, 2017

AGENCY HEAD NAME: Robert A. Myer (resigned 10/20/17)

<u>PURPOSE</u>	<u>AMOUNT</u>
Salary	\$ 54,161
Benefits - Retirement	12,785
Benefits - Life Insurance	153
Membership Dues	435
Conference Travel	1,168
Registration Fees	1,855
Special Meals	63
	<hr/>
TOTAL	\$ 70,620

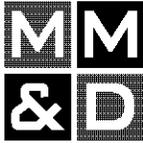
AGENCY HEAD NAME: Anthony R. Daisy (appointed 11/1/17)

<u>PURPOSE</u>	<u>AMOUNT</u>
Salary	\$ 7,154
Benefits - Retirement	0
Benefits - Life Insurance	26
Membership Dues	0
Conference Travel	2,084
Registration Fees	660
	<hr/>
TOTAL	\$ 9,924

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' 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*

A report on compliance with laws and regulations and on internal controls over financial reporting and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.



Major, Morrison & David

Certified Public Accountants

QUALITY • INTEGRITY • DEPENDABILITY

John L. Morrison III, CPA, CGMA, PC

Mark A. David, CPA, PC

John S. Disotell III, CPA, PC

Van P. Major, CPA (1951-2005)

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

The Honorable Antony R. Daisy
And Members of the City Council
City of New Roads, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of New Roads, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of New Roads, Louisiana's basic financial statements and have issued our report thereon dated June 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of New Roads, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of New Roads, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of City of New Roads, Louisiana's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 17-1 to be a material weakness

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as item 17-1 and 17-2 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Roads, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material

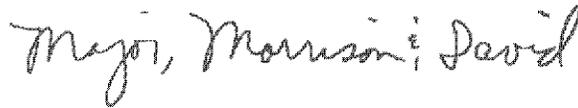
effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of New Roads, Louisiana’s Response to Findings

The City of New Roads, Louisiana’s response to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of New Roads, Louisiana’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.



Major, Morrison & David
New Roads, Louisiana
June 19, 2018

CITY OF NEW ROADS
New Roads, Louisiana
Schedule of Findings and Responses
For the Year Ended December 31, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 17-1

Criteria: In order to maintain adequate internal controls and prevent the possibility of fraud or misappropriations, timely review and monitoring of daily revenue collection reports should be performed on a regular basis by personnel not involved in the collection process. Personnel performing this review process should be cognitive of unusual or irregular transactions occurring in order to identify and prevent misappropriation of funds.

Condition: The City's collection reports were not monitored and approved on a timely basis thereby failing to catch irregular collection receipt voids, nor were there reports reflecting explanations of the reasons for the voided transactions.

Context: Cashiers for the City collection department collect various funds from utility payments, traffic tickets, property rentals, etc. and perform this process through collection registers tied into the City's accounting software on a daily basis. Reports are run along with reconciliation sheets to balance deposits made daily. Due to inattention and/or untimely monitoring and review of collection reports, irregular voids were performed on actual collections and resulted in misappropriation of funds by an employee of the collection department (see fraud/misappropriation exhibit page 79-80).

Effect: It resulted in misappropriation of City funds in the collection process by an employee in the amount of \$17,318.96 over a two-year period.

Cause: The traffic ticket collection accounting program and Civic Center collection process are not integrated with the main City Hall accounting software (See finding 17-2). Traffic ticket software at the police department records tickets written along with the amount of the fines to be assessed. The assessed party is then directed to City Hall to make payment on the fine and given a receipt by the cashiers. The cashier also forwards a receipt to the police department who then marks the fine as paid. The employee collected and entered the collection in the register, provided receipts to the ticket violator to clear his fine, to the police department to record as paid, and then promptly voided the collection record at City Hall and pocketed the fine. The void effectively zeroed out the recording of revenue and without proper review and approval of the void in the daily reports, it did not appear that funds were missing. Because the ticket program at the police department is not integrated, the revenue got recorded only with City Hall's duplicate receipt and deposit of funds. The Civic Center collection process was of a similar nature.

CITY OF NEW ROADS
New Roads, Louisiana
Schedule of Findings and Responses
For the Year Ended December 31, 2017

Recommendation: Management should monitor daily the collection reports, voids should have detail explanations within the transaction, supervisors should approve and follow up with all voids to make sure a plausible explanation is provided, and lastly the City should integrate the accounting software to connect the collection and recording of traffic ticket and Civic Center revenue with the main accounting software run at City Hall.

Management's Response: Management has updated procedures to monitor daily collection reports, implemented additional requirements to provide explanations on any voids that occur, installed security monitoring cameras at the cashier's counter, required supervisor signature approval on all voided transactions, and will research improvements to the main City Hall accounting software to integrate the police department's ticket program. By implementing these items, all revenue shall be recorded prior to collection and will provide an additional reporting mechanism to analytically detect unusual or irregular transactions.

Finding 17-2

Criteria: In order to maintain adequate internal controls and prevent the possibility of fraud, misappropriation, or material misstatements of revenues, all offsite location accounting programs should be integrated with City Hall's centralized accounting program to record the actual accrual of revenues prior to collections on a timely and accurate basis.

Condition: The police department's traffic ticket program and Civic Center's rental reservation process are not integrated with City Hall's centralized accounting program to record the accrual of revenues prior to the collection process. There also was not a timely report reconciliation process between those two departments and the main accounting department regarding what was reported as revenue and what was collected by City Hall.

Context: Without proper centralized integration of revenue recording programs at all locations (City Hall, Police Department & Civic Center), the actual recording of revenue does not get posted prior to collection thereby allowing the possibility of misappropriation of collected funds without transaction trails to reconcile the revenue recording process with the collection process.

Effect: This could result in misappropriation of City funds without being detected on a timely basis.

Cause: No formal reconciliation process of the traffic ticket revenue reports maintained at the police department was performed with the collections of ticket revenue at City Hall. By not performing this process, misappropriation of ticket revenues occurred (see finding 17-1). No formal reconciliation process of Civic Center rental revenues maintained at the Civic Center was performed with collection of rental deposits at City Hall.

Recommendation: Management should perform timely reconciliations of ticket revenue and rental deposits recorded by the police department and Civic Center with collections processed at City Hall. The City should also integrate the ticket revenue program for the police department with City Hall's centralized accounting program and implement a process to collect rental deposits at City Hall instead of at the Civic Center.

Management's Response: Management has updated procedures to timely reconcile the ticket revenue reporting with the collection process, will develop procedures to move the rental deposit collections to City Hall from the Civic Center, and research integrating these programs with the centralized accounting program at City Hall.

CITY OF NEW ROADS
New Roads, Louisiana

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2017

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action/Corrective Action Taken</u>
Section I – Internal Control and Compliance Material to the Financial Statements:				
16-1	2016	Violation of LSA-RS 39:1311(a) (1)&(2) regarding budgetary authority & control for the William H. Scott Civic Center Fund.	Yes	

Section II – Internal Control and Compliance Material to Federal Awards

There were no prior year findings.

Section III – Management Letter:

Discussion of the need for reduction of expenditures or increasing revenues in order to reduce continued reductions of net position of the entity.

CITY OF NEW ROADS
New Roads, Louisiana

Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 2017

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completed</u>
Section I – Internal Control and Compliance Material to the Financial Statements:				
17-1	Insufficient controls on monitoring of daily collection reports on a regular basis resulting in misappropriation of funds.	Management has updated procedures to monitor daily collection reports, implemented void explanations, supervisor approval of voided transactions, and will research integrating the accounting software programs.	D. Malden K McDonald A. Daisy	6/2018
17-2	Non-integrated accounting programs with the centralized accounting department.	Management will work towards integrating the offsite location accounting programs and perform timely revenue & collection reconciliations.	D. Malden K McDonald L. Bryant A. Daisy	7/2018

Section II – Internal Control and Compliance Material to Federal Awards

There were no current year findings.

Section III – Management Letter:

Discussion of the need for reduction of expenditures or increasing revenues in order to reduce continued reductions of net position of the entity.

CITY OF NEW ROADS
New Roads, Louisiana

Fraud/Misappropriation Exhibit
For the Year Ended December 31, 2017

#	ELEMENT OF FINDING	RESPONSE
1	A general statement describing the fraud or misappropriation that occurred.	A cashier working the front lobby counter misappropriated funds by taking advantage of an internal control breakdown. The cashier voided collection receipts of police department ticket and civic center rental deposit revenues and pocketed the funds. Due to non-integrated accounting software used by the police department and the civic center collection processes not being reconciled to collections at City Hall, the misappropriation of funds was not caught in a timely manner.
2	A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).	Funds misappropriated consisted of police department traffic ticket fines and civic center rental deposits.
3	The amount of funds or approximate value of assets involved.	\$17,317.96 was misappropriated by the cashier.
4	The department or office in which the fraud or misappropriation occurred.	The misappropriation occurred by a cashier working the front lobby counter at City Hall.
5	The period of time over which the fraud or misappropriation occurred.	The misappropriation occurred from March 2015 through August, 2017.
6	The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.	The cashier's title is utility collection clerk.
7	The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.	Willie Woods, utility clerk, committed the acts of misappropriation. Formal charges have been brought against him by the District Attorney for the Eighteenth Judicial District.
8	Is the person who committed or is believed to have committed the act of fraud still employed by the agency?	No, Willie Woods was terminated from employment with the City of New Roads on August 2, 2017.
9	If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?	Not applicable, terminated.
10	Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?	Yes, the Attorney General's Office, District Attorney for the 18 th Judicial District Attorney's Office were notified once the misappropriation was discovered and confirmed.
11	What is the status of the investigation at the date of the auditor's/accountant's report?	The investigation was complete by the Attorney General's office after interviewing Mr. Woods on August 8, 2017.
12	If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?	Yes, Mr. Woods was arrested on September 20, 2017 and charged with felony theft, computer fraud, malfeasance in office, and issuing worthless checks.
13	What is the status of any related adjudication at the date of the auditor's/accountant's report?	Docket No. 81809-F State of Louisiana vs Willie S. Woods was opened in court on May 9, 2018 charged with Count 1: R.S. 14:67 Theft of \$5,000 or more but less than \$25,000. The matter was

CITY OF NEW ROADS
New Roads, Louisiana

Fraud/Misappropriation Exhibit
For the Year Ended December 31, 2017

		continued to August 15, 2018.
14	Has restitution been made or has an insurance claim been filed?	Restitution has been requested as part of the determination of the case.
15	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	The Legislative Auditor and the District Attorney of the 18 th Judicial District were both notified of the misappropriation of public funds as is required by LA R.S. 24:523 (a).
16	Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?	No, the agency's internal controls did not allow for the detection of the fraud or misappropriation in a timely manner.
17	If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.	The cashier voided collection receipts of police department ticket and civic center rental deposit revenues and pocketed the funds. Due to non-integrated accounting software used by the police department and the civic center collection processes not being reconciled to collections at City Hall, the misappropriation of funds was not caught in a timely manner.
18	Management's plan to ensure that the fraud or misappropriation does not occur in the future	Management implemented procedures to require reconciliation of the non-integrated revenue reports from the police department ticket program with collections at City Hall. Civic Center deposit rental forms shall be processed in duplicate and reconciled with funds paid at City Hall. Daily cashier collection reports shall be monitored by a supervisor, all voids shall require an explanation and supervisor signoff, and the police department's ticket program will be researched to integrate with the centralized accounting software at City Hall.

CITY OF NEW ROADS
New Roads, Louisiana
Schedule of Insurance
Unaudited
As of and for the Year Ended December 31, 2017

<u>Insurance Company</u>	<u>Policy Term</u>	<u>Policy Description</u>	<u>Policy Limits</u>
Hartford Steam Boiler Ind. Co.	6/1/17 to 6/1/18	Boiler and Machinery	\$2,813,981 limit; \$5,000 deductible; transformers \$25,000 deductible (to cash value of equipment depending on age of equipment)
Allstate Insurance Co.	1/3/17 to 1/3/18	Fire Standard Blanket Policy on Bldg. & Prop.	\$9,099,125 gas warehouse, substation & equipment \$5,000 deductible
Colony Specialty Insurance Co.	7/1/17 to 7/1/18	Power Plant Building & Equipment	\$5,822,836 limit \$10,000 deductible \$25,000 wind/hail
AmGuard Insurance Co.	4/9/17 to 4/9/18	General Liability	\$2,000,000 general aggregate; \$1,000,000 each occurrence \$50,000 deductible Law Enforcement \$5,000 deductible non-law enforcement
Admiral Insurance Co.	6/21/17 to 6/21/18	Environmental Impairment Liability-Lift & Pump Stations	\$3,000,000 aggregate \$50,000 deductible self- insured retention \$1,000,000 per pollution condition limit
Western Surety Company	7/1/17 to 7/1/18	Public Employee Blanket Position Bond Liability	\$75,000 limit
Western Surety Company	10/1/17 – 7/1/18	Public Official Bond Coverage	\$50,000 limits
LWCC	11/1/17 to 11/1/18	Worker's Compensation	Statutory Limits \$1,000,000 employer liability
Scottsdale Insurance Co.	10/20/17- 12/13/17	Special Events Coverage	\$500,000 per occurrence \$1,000,000 aggregate limit
Great Lake Reinsurance, UK	6/20/17 to 6/20/18	Commercial Property	\$311,000 total property \$1,000 deductible;\$2,500 wind/hail
AmGuard Insurance Co.	4/9/17 to 4/9/18	Commercial Umbrella	\$1,000,000 limit \$10,000 retained limit
AmGuard Insurance Co.	4/9/17 to 4/9/18	Business Auto	\$1,000,000 liability; UM excluded \$25,000 deductible
American Empire Surplus Lines Co.	6/10/17 – 6/10/18	Commercial Property	\$3,340,000 total property \$5,000 deductible

CITY OF NEW ROADS
New Roads, Louisiana
Schedule of Electric, Water, & Gas Customers
Unaudited
As of and for the Year Ended December 31, 2017

Number of metered electric customers	2,528
Number of non-metered electric customers	<u>-0-</u>
Total electric customers	<u>2,528</u>
Number of metered water customers	3,540
Number of non-metered water customers	<u>-0-</u>
Total water customers	<u>3,540</u>
Number of metered gas customers	2,403
Number of non-metered gas customers	<u>-0-</u>
Total gas customers	<u>2,403</u>

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Honorable Anthony R. Daisy, Mayor
Members of the City Council
New Roads, La. 70760

We have performed the procedures enumerated below, which were agreed to by the management of the City of New Roads 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 year ended December 31, 2017. Management of the City of New Roads 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.

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
Written policies and procedures were obtained and address the functions noted above.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
Written policies and procedures were obtained and address the functions noted above.
 - c) **Disbursements**, including processing, reviewing, and approving
Written policies and procedures were obtained and address the functions noted above.
 - d) **Receipts**, including receiving, recording, and preparing deposits
Written policies and procedures were obtained and address the functions noted above.
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Written policies and procedures were obtained and address the functions noted above.
 - 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
Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

Board (or Finance Committee, if applicable)

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

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

Obtained board minutes and noted that the council met twice a month during the year in accordance with the city's policy.

- 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).

The minutes do reference/include budget to actual comparisons on the major funds for at least two months during the preparation of the budgeting process. During the remaining periods, the council members are provided monthly financials including balance sheets, revenue and expense statements with budget to actual comparisons, check reports, and statements of credit cards and receipts, in their city hall mail boxes to be obtained before each second monthly council meeting.

- 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.

Deficit spending was not noted during the fiscal period for those funds with a fund balance deficit.

- 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 do 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.

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

complete.

4. Using the listing provided by management, select all of the 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). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all months in the fiscal period for all selected accounts noting that reconciliations had been prepared for all months.

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

The bank reconciliations prepared for all accounts examined had evidence of management review.

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

Obtained bank statements and reconciliations for all months in the fiscal period noting management's documentation of research for items that have been outstanding for more than 6 months.

Collections

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

Obtained listing of cash collection locations and management's representation that 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). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

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

Written documentation was obtained and addresses the functions noted above.

- 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.

Written documentation was obtained and addresses the functions noted above. However, for the police department ticket revenue collected at City Hall, there was no reconciliation of revenues recorded as paid at the Police department compared to the collections at City Hall.

- 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.

Collections documentation was obtained and deposits were made 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.

Daily cash collections are 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.

Written policies and procedures were obtained and address the functions noted above. However, Police Department ticket revenue collected at City Hall were not reconciled to ticket revenue recorded at the Police Department.

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.

Obtained a listing of entity disbursements (and complete general ledger) and management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the 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.

Examined supporting documentation for each of the 25 disbursements selected and found that purchases were initiated using a purchase requisition and purchase order system.

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

Examined supporting documentation for each of the 25 disbursements selected and found appropriate approval of purchases orders and requisitions.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Examined supporting documentation for each of the 25 disbursements selected and found all payments were processed with proper approval, receiving report, and approved invoice.

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.

Written policies and procedures were obtained and address the functions noted above.

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.

Written policies and procedures were obtained and address the functions noted above.

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.

Inquiry of management and observation noted no exceptions.

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.

Not applicable – neither one is used.

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

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

Obtained from management complete listing of active credit cards and fuel cards along with 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. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Selected all credit cards used during the fiscal period (less than 10 used).

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Obtained monthly statement or combined statement for the month with the largest dollar activity and noted supporting documentation, review, and approval in writing by someone other than the cardholder.

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

On the monthly statements or combined statements selected, finance charges or late fees totaling \$36.26 were assessed on three of the monthly Wal Mart card.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
 - Supporting documentation was obtained with no exceptions.*
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Supporting documentation was obtained with no exceptions.*
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - Supporting documentation was obtained with no exceptions.*
- 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.
- Each transaction's detail was compared to the City's purchasing/disbursement policies and the Louisiana Public Bid Law with no exceptions.*
- 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.
- Each transaction's documentation of the business/public purpose was compared to the requirements of Article 7, Section 14 of the Louisiana Constitution with no exceptions.*

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
- Obtained from management a listing of travel and expense reimbursements by person and 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) and report any amounts that exceed GSA rates.
- Obtained the city's written policies related to travel and expense reimbursements. No amounts listed exceeded GSA rates.*
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.
 - Expenses were paid in accordance to 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.]

Expenses were supported with no exceptions.

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

Documentation of the business/public purposes was supported with no exceptions.

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

Other documentation as needed was supported with no exceptions.

- 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.

Documentation of the business/public purpose was compared to Article 7, Section 14 of the Louisiana Constitution with no exceptions.

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

Expenses and related documentation were reviewed and approved in writing by someone other than the person receiving reimbursement with no exceptions.

Contracts

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

Obtained listing of all contracts in effect (and general ledger) and management's representation that the listing is complete.

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

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

Formal written contracts were examined supporting the services arrangements and the amounts paid with no exceptions.

- 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)

Obtained supporting contract documentation and noted no noncompliance with legal requirements.

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

Obtained supporting contract documentation and noted solicitations for quotes as a best practice.

- 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.

Two public works contracts were amended with change orders, one change order for \$1,618.80 and one for \$2,372.00, and were within the scope allowed by the contracts.

- 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.

Selected the largest payment from each contract along with supporting documentation and compared to the contract terms reflecting compliance with the terms and conditions of the contract with no exceptions.

- 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).

Proper approval was obtained on the contracts within the city council meetings

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

Obtained listing of employees with their related salaries and management's representation that the listing is complete.

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

Compensation paid to each employee was reviewed with no exceptions noted.

- 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 were made one time during the current fiscal period for raises granted by the mayor and were approved in writing and in accordance with 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). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Randomly selected 25 employees/officials along with documentation of attendance and leave records with no exceptions noted.

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

Of the randomly selected 25 employees/officials, 11 of the 25 attendance records do not reflect signature approval of the required supervisor.

- 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.

Written leave records were maintained on the selected employees who earn leave with no exceptions.

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

Obtained from management a listing of employees that were terminated during the fiscal period along with management's representation that the listing is complete. The largest two termination payments made during the fiscal period were examined and paid in accordance with written policies and approved by management with no exceptions.

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.

Obtained supporting documentation relating to payroll taxes, retirement contributions and reporting forms during the fiscal period, which were submitted to the proper agencies by the required deadlines with no exceptions.

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.

Examined the five randomly selected employees' ethics compliance documentation maintained in personnel files with 2 of the 5 selections not having documentation that ethics training was completed.

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.

Management has asserted that they received no allegations 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.

Not applicable, no new debt issued.

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.

Obtained supporting documentation and determined the City made scheduled debt service payments, and maintained required debt reserves in accordance with the 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.

Not applicable.

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 did have an instance of misappropriation of public funds- theft of traffic ticket and rental deposit revenues for civic center rental. Supporting documentation was reviewed, and the City reported the misappropriation of funds to the Louisiana Attorney General, District Attorney for the 18th Judicial District, and The Louisiana Legislative Auditor.

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) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The required notice was posted on the City's premises, but was not posted on the City's website.

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.



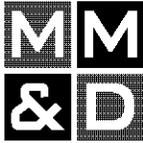
Major, Morrison & David
New Roads, Louisiana
June 19, 2018

CITY OF NEW ROADS, LOUISIANA
New Roads, Louisiana

Management's Response to Statewide Agreed-Upon Procedures
For the Year Ended December 31, 2017

Management Response to Item:

- 6b.&7. Management implemented during the year the requirement to reconcile police department ticket revenue reports to actual collections of fines paid at City Hall after the misappropriation of funds occurred. They will also research implementing an additional add-on program module to the centralized accounting program that integrates with the police departments ticket accounting program.
- 15b. Management will put extra effort into speeding up the process of remitting payment on the Wal Mart credit card in order to eliminate any future finance charges. Due to the segregation of duties involving the recording, approving, and payment of the charges, payment was late on three monthly statements.
- 23b. Management has and will improve upon supervisory approval on time sheets within all departments prior to payroll distribution.
26. Management will require that all employees/officials obtain the required annual ethics training and will appoint an in-charge person to manage and verify that the requirements are met.
32. Management will contact their website administrator and post the notice required by R.S. 24:523.1



Major, Morrison & David

Certified Public Accountants

QUALITY • INTEGRITY • DEPENDABILITY

John L. Morrison III, CPA, CGMA, PC

Mark A. David, CPA, PC

John S. Disotell III, CPA, PC

Van P. Major, CPA (1951-2005)

Honorable Mayor Anthony R. Daisy
And Members of the City Council
New Roads, Louisiana 70760

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Roads as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We believe that the deficiency referred to as item 17-1 in the following paragraph constitutes a material weakness.

Item 17-1: Untimely review and monitoring of daily revenue collection reports with attention to unusual or irregular transactional voids.

Item 17-2: Lack of centralized integration of revenue recording programs with the main accounting software at City Hall in order to reconcile revenue recorded and monies collected.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items 17-1 and 17-2 in the preceding paragraph to be significant deficiencies in internal control.

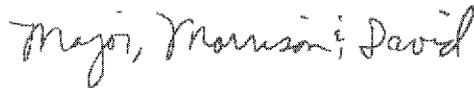
We wish to communicate the following comments and recommendations to management and the council:

- 1) As recommended in our prior year comments, the City did examine the electrical, gas, and water/sewer rates with independent professionals and implemented adjustments to all base rates for electric, gas, water and sewer utilities effective January 2017. The City also implemented rate increases in garbage collection to offset the increased costs incurred from its outside collection contractor. Because of the rate increases, profit margins for the utility funds did improve from the previous year, but additional costs were incurred decreasing the amount of expected profit margins. Within the electric system, extra cost was incurred under the power purchases due to the legacy

contract with LEPA, upon switching to the new power supplier. We recommend the City exit this contract as soon as legally permissible which will provide additional savings within the electric fund.

- 2) General fund revenues decreased by approximately \$302,000 mainly from grants and license/permit fees at the same time that expenditures increased \$41,000. Capital outlay expenditures decreased \$153,500 with public safety expenditures increasing \$203,000. Individual expenses that increased include personnel costs and benefits (especially health insurance costs and retirement) and general insurance expenses. With these cost increases, more funds were transferred from the utility funds to the general fund by \$510,000 thereby decreasing the utility funds cash flow. All line item expenditures should be evaluated for potential cost reductions and implemented. Balanced budgets that are adopted should be enforced with no excess spending once a department has expended their allocation of funds. Spending should be limited to only necessary items until positive changes in net position in both the governmental and proprietary funds are achieved.

This communication is intended solely for the information and use of the City of New Roads, Louisiana's mayor, council members, and management, the Legislative Auditor for the State of Louisiana, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Major, Morrison & David
New Roads, Louisiana
June 19, 2018



OFFICE OF THE MAYOR
ANTHONY R. DAISY

June 28, 2018

Mr. Daryl G. Purpera, CFE
State of Louisiana Legislative Auditor
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

The City of New Roads respectfully submits the following response to the management letter comments regarding our audit for the year ending December 31, 2017.

In an effort to improve the City's net fund positions, several measures were taken over the past few years. Utility rates were examined and rate increases were adopted by the City Council. It had been eleven to fifteen years since water, gas, sewer, garbage and electric rates were increased. Increased. The source of our electricity was changed to NRG Energy, Inc. to reduce the electric fund's operating costs. These changes resulted in increases to the utilities operating incomes.

Once the City no longer purchased power from LEPA (Louisiana Energy & Power Authority) the "purchase to pay" rules for our Rodemacher Unit investment caused major expenses. This amounted to over \$335,000.00 for the year. We are now past the required waiting period and are searching for a buyer for this investment interest. The City saw an increase in the net fund positions in 2017 but not as much as expected. The sale of the Rodemacher Unit would immediately result in an improvement in the City's financial standing. Also, the utility rate increases will be in effect for all of 2018 compared to nine months of 2017. We are diligently working to decrease discretionary spending by requiring my prior approval on these items.

In August of 2017, it was discovered that an employee had committed theft of city funds generated from traffic ticket payments and civic center rentals. After issuing the payor a receipt for the transaction, the employee re-entered the system and voided the receipt. Currently, the finance director is requiring a monthly list of traffic tickets and rentals to reconcile against the recorded revenues. We are also researching a court module so that traffic ticket records would integrate directly into our current software.

211 W. Main Street • P.O. Box 280 • New Roads, LA 70760
Phone: (225) 638-5360 • Fax: (225) 638-5368
www.newroads.net

AN EQUAL OPPORTUNITY EMPLOYER

Mr. Daryl G. Purpera, CFE
June 28, 2018
Page 2

We have implemented the following measures in an effort to deter and prevent theft and fraud.

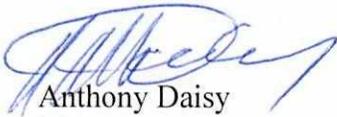
- All payments for services, citations, rentals, etc. must be made directly to the cashier's at city hall.
- All voided transactions must be initialed by a supervisor.
- The number of security cameras in the cashier's office was increased from two to five.
- A new safe was purchased and installed in the vault to replace a wood cabinet.

A reimbursement from the insurance company for the stolen funds is pending.

The City of New Roads will continue to work to reduce spending during the remainder of 2018. This new administration is determined to strengthen the City's financial stability.

Should you have any questions relative to this response, please contact me at 225-638-5360 ext. 201.

Sincerely,



Anthony Daisy
Mayor

AD