

**CITY OF ZACHARY, LOUISIANA**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2019**

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

## **INDEPENDENT AUDITOR'S REPORT**

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

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT (continued)

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana, as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on pages 78 through 80, the Schedule of Changes in Net OPEB Liability and Related Ratios on page 81, the Schedule of City of Zachary, Louisiana's Proportionate Share of the Net Pension Liability on page 82, and the Schedule of City of Zachary, Louisiana's Contributions on page 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Zachary, Louisiana's basic financial statements. The Non-Major Debt Service Funds –Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance, Schedule of Revenues and Expenditures – General Fund, Schedule of Operating Expenses by Department – Enterprise Fund, Component Unit – City Court – Balance Sheet/Statement of Net Position and Statement of Revenues and Expenditures and Changes in Fund Balance/Activities, Schedule of Compensation, Benefits, and Other Payments to Agency Heads, Schedule of Compensation of Board Members, Schedule of Insurance in Force, and Schedule of Utility Statistics on pages 85 through 106 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of the City of Zachary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Zachary, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Zachary, Louisiana's internal control over financial reporting and compliance.

*Baxley & Associates, LLC*

Plaquemine, Louisiana  
December 16, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## CITY OF ZACHARY, LOUISIANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

This section of the City of Zachary, Louisiana's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the twelve months ended June 30, 2019. Please read it in conjunction with the City's financial statements which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The City's combined net position as of June 30, 2019 and June 30, 2018 were \$36,769,394 and \$33,425,360 respectively. Net position of our governmental activities were \$19,129,672 and \$15,823,899 respectively while those of our business-type activities were \$17,639,722 and \$17,601,461 respectively.
- The general fund ended the current fiscal year with a \$12,367,989 fund balance of which \$118,107 is non-spendable and zero dollars applies to inter-fund payables. In the prior fiscal year, the general fund ended the year with a \$11,460,659 fund balance of which \$93,809 was non-spendable and zero dollars was reserved for the payment of interfund payables.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

**CITY OF ZACHARY, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

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

## CITY OF ZACHARY, LOUISIANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

#### **OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

##### **Government-wide Statements**

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

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

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

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

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

##### **Fund Financial Statements**

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

The City has two kinds of funds:

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

CITY OF ZACHARY, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Condensed Statement of Net Position:

	<b>Table A-1</b>	
	<b>City's Net Position</b>	
	Government Activities	Government Activities
	<b>2019</b>	<b>2018</b>
Current and other assets	14,651,503	10,853,136
Capital assets	38,778,563	39,374,810
<b>Total assets</b>	<b>53,430,066</b>	<b>50,227,946</b>
<b>Deferred Outflow: Pension Related</b>	<b>3,683,949</b>	<b>3,280,779</b>
<b>Deferred Outflow: OPEB</b>	<b>1,063,001</b>	-
Current liabilities	247,627	(829,605)
Long term liabilities	37,888,350	36,937,506
<b>Total liabilities</b>	<b>38,135,977</b>	<b>36,107,901</b>
<b>Deferred Inflow: Pension Related</b>	<b>911,367</b>	<b>1,576,925</b>
Net assets:		
Net invested in capital assets	30,583,563	30,424,810
Restricted	5,064,677	3,694,954
Unrestricted	(16,518,568)	(18,295,865)
<b>Total net position</b>	<b>19,129,672</b>	<b>15,823,899</b>

	<b>Table A-1</b>	
	<b>City's Net Position</b>	
	Business-Type Activities	Business-Type Activities
	<b>2019</b>	<b>2018</b>
Current and other assets	6,105,244	7,266,924
Capital assets	29,962,440	29,590,093
<b>Total assets</b>	<b>36,067,684</b>	<b>36,857,017</b>
<b>Deferred Outflow: Pension Related</b>	<b>1,155,098</b>	<b>1,077,146</b>
Current liabilities	4,489,564	4,646,771
Long term liabilities	14,971,405	15,578,401
<b>Total liabilities</b>	<b>19,460,969</b>	<b>20,225,172</b>
<b>Deferred Inflow: Pension Related</b>	<b>122,091</b>	<b>107,530</b>
Net assets:		
Invested in capital assets, net of related debt	17,639,163	16,537,296
Restricted funds	1,184,468	2,082,834
Unrestricted (deficit)	(1,183,909)	(1,018,669)
<b>Total net position</b>	<b>17,639,722</b>	<b>17,601,461</b>

**CITY OF ZACHARY, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)**

**Condensed Statements of Activities**

The City's total change in net position was \$3,344,033; \$3,305,772 from governmental activities and \$38,261 from business-type activities. The chart below only reflects the changes from the financial statement whereas the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances reflects the total change in net position. The City of Zachary continues to experience an overall positive change in net position. The revenues of the City showed approximately 3% growth from the previous year. Most of this increase can be attributed to sales taxes, and the beginning of the receipt of the dedicated road tax. The business-type fund was close to break-even for the year in part due to the finalization of the gas meter project. The City paid the sixth installment on a litigation liability. That liability will be paid off in the coming year. The City continues to work diligently to provide necessary services for the Public and at the same time provide for the needs of the staff. Changes in Federal GASB laws, less State and Federal grants and growth that requires new capital expenditures will continue to present a challenge for not just the City but for all municipalities in the future. Table A-2 on the next two pages shows the composition of revenues and summarizes the expenses by function or service area.

	<b>Table A-2</b>	
	<b>Changes in City's Net Position</b>	
	Government Activities	Government Activities
	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Charges for services	2,000,043	2,019,836
Fines	164,835	157,554
Grants and contributions	1,520,344	1,874,143
General revenues:		
Taxes	13,097,824	11,657,609
Commissions	1,445,540	1,437,467
Licenses and permits	608,772	689,107
Miscellaneous/Interest Income	487,189	625,807
Special item	300,000	-
Non-Employer Contributions	-	325,180
<b>Total Revenues</b>	<b>19,624,547</b>	<b>18,786,703</b>
<b>Expenses</b>		
General Government	5,409,125	5,537,944
Public Safety	7,624,462	7,152,268
Streets	1,514,067	1,534,125
Sanitation	1,469,457	1,364,075
Debt Service	376,663	402,958
<b>Total Expenses</b>	<b>16,393,774</b>	<b>15,991,370</b>
<b>Transfers/Capital Contributions</b>	<b>75,000</b>	<b>70,000</b>
<b>Increase in net position</b>	<b>3,305,773</b>	<b>2,865,333</b>

**CITY OF ZACHARY, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)**

**Condensed Statements of Activities (continued)**

	<b>Table A-2</b>	
	<b>Changes in City's Net Assets</b>	
	Business-Type Activities	Business-Type Activities
	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Charges for services	6,912,461	6,569,256
General revenues:		
Miscellaneous/Interest Income	1,192,686	1,122,000
<b>Total Revenues</b>	<b>8,105,147</b>	<b>7,691,256</b>
<b>Expenses</b>		
Water	1,274,524	1,251,016
Gas	1,638,466	1,620,633
Sewer	876,049	1,006,540
Gen./Admin./Warehouse/Mech.	2,271,485	2,276,417
Depreciation	1,869,797	1,659,436
<b>Total Expenses</b>	<b>7,930,321</b>	<b>7,814,042</b>
<b>Non-operating Revenues (Expenses)</b>	<b>(136,565)</b>	<b>(25,594)</b>
<b>Increase (Decrease) in net assets</b>	<b>38,261</b>	<b>(148,380)</b>

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed the year, its governmental funds reported a combined fund balance of \$15,293,876 consisting of \$12,367,989 in the general fund, (\$2,138,790) in the special revenue fund and \$5,064,677 in the debt service fund. Of the above balances \$118,107 is restricted in the general fund, and \$5,064,677 in the debt service fund. The fund balance improved in the General Fund by \$907,330. The special revenue fund and debt service fund restrictions are related to the bonds issued for street projects. These projects have been substantially completed and the City has another \$5,500,000 that it will be receiving from City Parish as per a CEA agreement for Mount Pleasant Road.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the Council may approve amendments to the City's budget. These budget amendments result from items involving accounting changes, increased costs and revenues to the City. The City made budgetary amendments for this fiscal year. The changes to the City's budget affected both revenues and expenses. The Administration continues to budget conservatively as a result of the uncertainty in the economy. The City continues to experience increases in retirement. Health Insurance costs will increase in the upcoming year by approximately 9%.

**CITY OF ZACHARY, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

**CAPITAL ASSETS**

At the end of June 2019, the City had invested \$68,741,003 in a broad range of capital assets, including police and fire equipment, streets, buildings, vehicles, and water and sewer systems. See Table A-3. This amount represents a net increase (including additions and deductions) of \$3,206,738 over the previous year. The City has pursued an aggressive capital rehabilitation in the infrastructure of the City over the last few years. Bond money of approximately \$15,000,000 was acquired at 0.95% interest from DEQ to repair and expand the sewer system. The City has completed these projects related to this funding. Upgrades and expansions have occurred in both gas and water as well. The expansion in gas has given the City the capacity to service any growth in the City for the next 20 years. 2017 Road rehabilitation projects were completed during the year. 2019 projects will begin in the coming months. The City is nearing completion of the construction of a new 500,000-gallon water tower. This will bring the City's storage capacity to 1,500,000 gallons. A new road tax passed in the Parish which will result in the City receiving approximately \$1.4 million for road improvements. The City began receiving its share of the new road tax passed in the previous year. The City expects approximately \$1.4 million annually for road improvements.

	<b>Table A-3 City's Capital Assets</b>			
	<b>Government Activities</b>		<b>Business Activities</b>	
	2019	2018	2019	2018
Land	2,506,635	2,506,635	180,745	180,745
Construction-in-progress	245,345	9,112,994	1,292,649	2,474,709
Building/Infrastructure	5,835,715	5,835,715	50,695,201	47,355,558
Road Infrastructure	30,782,280	21,817,093	-	-
Equipment	13,488,346	12,621,289	2,507,618	2,423,058
Less: Accumulated Depreciation	(14,079,758)	(12,518,916)	(24,713,773)	(22,843,976)
<b>Total</b>	<b>38,778,563</b>	<b>39,374,810</b>	<b>29,962,440</b>	<b>29,590,094</b>

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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

**CITY OF ZACHARY, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2019**

Information received in meetings with State agencies points toward a greater funding of the retirement systems for the City Retirement Funds: Police, Fire and Municipal. The high indicators would have the City be responsible for twice the amount that it is currently responsible, resulting in approximately \$1,000,000 more in retirement expenses. Regardless of the percentage increase, the City recognizes that an increase is coming. A large industrial business in the City has reduced its operations by 50%. Although the City does not receive any direct property tax from the business, many of the workers reside in the City and frequent the business establishments resulting in sales tax for the City. Another economic plus for the City is the beginning of the Comite River Diversion Canal Project. This will give the City the opportunity to address the flooding concerns of the community. These unknowns will all be factors in the next year's budget considerations.

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

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

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

CITY OF ZACHARY, LOUISIANA  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,355,916	\$ 1,367,981	\$ 12,723,897	\$ 159,713
Account receivable	1,871,609	1,168,318	3,039,927	-
Intergovernmental receivable	-	558,372	558,372	-
Other receivables	1,305,871	13,553	1,319,424	-
Prepaid expenses	118,107	55,225	173,332	-
Inventory	-	159,192	159,192	-
Restricted Assets:				
Customer deposits:				
Cash and cash equivalents	-	415,135	415,135	-
Investments	-	500,000	500,000	-
Utility revenue bond:				
Cash and cash equivalents	-	1,867,468	1,867,468	-
Capital assets:				
Land and construction in progress	2,751,981	1,473,394	4,225,375	-
Depreciable capital assets, net of depreciation	36,026,582	28,489,045	64,515,628	26,034
<b>TOTAL ASSETS</b>	<b>53,430,066</b>	<b>36,067,684</b>	<b>89,497,750</b>	<b>185,747</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB	1,063,001	-	1,063,001	-
Pension related	3,683,949	1,155,098	4,839,047	125,488
<b>LIABILITIES</b>				
Accounts payable	305,943	1,135,454	1,441,397	-
Other payables	182,786	532,943	715,729	-
Interfund balances	(1,131,102)	1,131,102	-	-
Customer meter deposits	-	898,565	898,565	-
Long-term debt:				
Other Post employment benefits	17,166,237	-	17,166,237	-
Due within one year	790,000	791,500	1,581,500	-
Due beyond one year	8,616,001	11,598,737	20,214,738	-
Net pension liability	12,206,112	3,372,668	15,578,780	313,171
<b>TOTAL LIABILITIES</b>	<b>38,135,977</b>	<b>19,460,969</b>	<b>57,596,946</b>	<b>313,171</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB	-	-	-	-
Pension related	911,367	122,091	1,033,458	43,180
<b>NET POSITION</b>				
Net invested in capital assets	30,583,563	17,639,163	48,222,726	26,034
Restricted	5,064,677	1,184,468	6,249,145	-
Unrestricted	(16,518,568)	(1,183,909)	(17,702,477)	(71,150)
<b>TOTAL NET POSITION</b>	<b>\$ 19,129,672</b>	<b>\$ 17,639,722</b>	<b>\$ 36,769,394</b>	<b>\$ (45,116)</b>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities		Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 5,409,125	\$ 257,851	\$ 451,934	\$ (4,699,340)	\$ -	\$ (4,699,340)	\$ -
Streets	1,514,067	1,700,373	515,279	701,585	-	701,585	-
Public Safety	7,624,462	-	553,131	(7,071,331)	-	(7,071,331)	-
Sanitation	1,469,457	41,819	-	(1,427,638)	-	(1,427,638)	-
Debt Service	376,663	-	-	(376,663)	-	(376,663)	-
<b>Total Governmental Activities</b>	<b>16,393,774</b>	<b>2,000,043</b>	<b>1,520,344</b>	<b>(12,873,387)</b>	<b>-</b>	<b>(12,873,387)</b>	<b>-</b>
<b>Business-type Activities:</b>							
Enterprise - Utilities	8,072,072	7,248,185	806,154	-	(17,733)	(17,733)	-
<b>Total Business-type Activities</b>	<b>8,072,072</b>	<b>7,248,185</b>	<b>806,154</b>	<b>-</b>	<b>(17,733)</b>	<b>(17,733)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>24,465,846</b>	<b>9,248,228</b>	<b>2,326,498</b>	<b>(12,873,387)</b>	<b>(17,733)</b>	<b>(12,891,120)</b>	<b>-</b>
<b>Component Units</b>							
Judicial services	640,106	622,977	-	-	-	-	(17,129)
<b>Total Component Units</b>	<b>640,106</b>	<b>622,977</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,129)</b>
<b>General Revenues:</b>							
Taxes				13,097,824	50,808	13,148,632	-
Fines				164,835	-	164,835	-
Commissions				1,445,540	-	1,445,540	-
License and permits				608,772	-	608,772	-
Interest income				308	5,186	5,494	-
Others				486,881	-	486,881	-
Special item				300,000	-	300,000	-
Transfers				75,000	-	75,000	(75,000)
<b>Total general revenues and transfers</b>				<b>16,179,160</b>	<b>55,994</b>	<b>16,235,154</b>	<b>(75,000)</b>
<b>Change in net position</b>				<b>3,305,773</b>	<b>38,261</b>	<b>3,344,034</b>	<b>(92,129)</b>
<b>NET POSITION - Beginning</b>				<b>15,823,899</b>	<b>17,601,461</b>	<b>33,425,360</b>	<b>47,013</b>
<b>NET POSITION - Ending</b>				<b>\$ 19,129,672</b>	<b>\$ 17,639,722</b>	<b>\$ 36,769,394</b>	<b>\$ (45,116)</b>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA  
COMBINED BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Sales Tax Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,582,232	\$ -	\$ 3,054,171	\$ 719,513	\$ 11,355,916
Sales tax receivable	1,249,186	-	585,616	36,807	1,871,609
Other receivables	1,305,871	-	-	-	1,305,871
Prepaid expenses	118,107	-	-	-	118,107
Accrued interest receivable	-	-	-	-	-
Due from other funds	3,389,438	-	-	668,570	4,058,008
<b>TOTAL ASSETS</b>	<b>\$ 13,644,834</b>	<b>\$ -</b>	<b>\$ 3,639,787</b>	<b>\$ 1,424,890</b>	<b>\$ 18,709,511</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 276,944	\$ 28,999	\$ -	\$ -	\$ 305,943
Other payables	182,786	-	-	-	182,786
Due to other funds	817,115	2,109,791	-	-	2,926,906
<b>Total liabilities</b>	<b>1,276,845</b>	<b>2,138,790</b>	<b>-</b>	<b>-</b>	<b>3,415,635</b>
<b>Fund balance:</b>					
Nonspendable	118,107	-	-	-	118,107
Restricted	-	-	3,639,787	1,424,890	5,064,677
Committed	-	(2,138,790)	-	-	(2,138,790)
Unassigned	12,249,882	-	-	-	12,249,882
<b>Total fund balances</b>	<b>12,367,989</b>	<b>(2,138,790)</b>	<b>3,639,787</b>	<b>1,424,890</b>	<b>15,293,876</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,644,834</b>	<b>\$ -</b>	<b>\$ 3,639,787</b>	<b>\$ 1,424,890</b>	

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

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

Cost of capital assets at June 30, 2019	\$ 52,858,321	
Less: accumulated depreciation at June 30, 2019	(14,079,758)	38,778,563

Deferred outflow	\$ 4,746,950	4,746,950
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities:

Litigation payable	\$ (100,000)	
Bond Payable	(8,195,000)	
OPEB Liability	(17,166,237)	
Pension liability	(12,206,112)	
Compensated absences	(1,111,001)	
		(38,778,350)

Deferred inflow	\$ (911,367)	(911,367)
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<b>Net position of governmental activities</b>		<b>\$ 19,129,672</b>
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The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	General Fund	Special Revenue	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 10,298,415	\$ -	\$ 2,238,338	\$ 209,448	\$ 12,746,201
Licenses and permits	608,772	-	-	-	608,772
Intergovernmental	1,020,344	500,000	-	-	1,520,344
Charges for services	2,000,043	-	-	-	2,000,043
Commissions	1,445,540	-	-	-	1,445,540
Fines	164,835	-	-	-	164,835
Miscellaneous	471,757	15,279	-	152	487,188
<b>TOTAL REVENUES</b>	<b>16,009,706</b>	<b>515,279</b>	<b>2,238,338</b>	<b>209,600</b>	<b>18,972,923</b>
<b>EXPENDITURES</b>					
General Government	4,142,176	-	21,370	2,158	4,165,704
Court	493,355	-	-	-	493,355
Public Safety -					
Police	4,427,466	-	-	-	4,427,466
Fire	3,634,937	-	-	-	3,634,937
Streets	1,009,985	134,219	-	-	1,144,204
Sanitation	1,469,457	-	-	-	1,469,457
Debt Service:					
Interest	-	-	344,813	31,850	376,663
Principal	-	-	575,000	180,000	755,000
<b>TOTAL EXPENDITURES</b>	<b>15,177,376</b>	<b>134,219</b>	<b>941,183</b>	<b>214,008</b>	<b>16,466,786</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>832,330</b>	<b>381,060</b>	<b>1,297,155</b>	<b>(4,408)</b>	<b>2,506,137</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond Proceeds	-	-	-	-	-
Transfers from (to) other funds	75,000	(76,976)	76,976	-	75,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>75,000</b>	<b>(76,976)</b>	<b>76,976</b>	<b>-</b>	<b>75,000</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>907,330</b>	<b>304,084</b>	<b>1,374,131</b>	<b>(4,408)</b>	<b>2,581,137</b>
<b>FUND BALANCE (DEFICIT), Beginning</b>	<b>11,460,659</b>	<b>(2,442,874)</b>	<b>2,265,656</b>	<b>1,429,298</b>	<b>12,712,739</b>
<b>FUND BALANCE (DEFICIT), Ending</b>	<b>\$ 12,367,989</b>	<b>\$ (2,138,790)</b>	<b>\$ 3,639,787</b>	<b>\$ 1,424,890</b>	<b>\$ 15,293,876</b>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
 FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - Governmental Funds (Page 17)	\$	2,581,137
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p>		
<p>Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the statement of activities.</p>		
Non-employer contributions to cost-sharing pension plan		351,623
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation expense for the year ended June 30, 2019		(1,560,843)
Annual OPEB (Other Post Employment Benefit) expense		96,756
Pension expense		(467,876)
Litigation liability and special item		575,000
<p>The liability and expense for compensated absences are not reported in governmental funds. Payments for compensated absences are reported as salaries when they occur. Only the payment consumes current financial resources, and it would take a catastrophic event for this liability to become a current liability.</p>		
		10,382
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt:</p>		
Principal Payments	<u>755,000</u>	<u>755,000</u>
Change in net position of governmental activities (Page 15)	\$	<u><u>3,305,772</u></u>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2019

<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 1,367,981
Accounts receivable (net)	1,168,318
State of LA grant receivable	558,372
Other receivables - miscellaneous	13,553
Prepaid expense	55,225
Inventory	159,192
<b>Total current assets</b>	<u>3,322,641</u>
<b>Restricted assets</b>	
Customer deposits:	
Cash and cash equivalents	415,135
Investments	500,000
Utility revenue bond:	
Cash and cash equivalents	1,867,468
<b>Total restricted assets</b>	<u>2,782,603</u>
<b>Capital assets</b>	
Land	180,745
Construction in progress	1,292,649
Structures and improvements	50,695,201
Machinery and equipment	2,507,618
	<u>54,676,213</u>
Less accumulated depreciation	(24,713,773)
<b>Total capital assets</b>	<u>29,962,440</u>
<b>TOTAL ASSETS</b>	<b>36,067,684</b>
<b>DEFERRED OUTFLOWS - PENSION</b>	<u>1,155,098</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u><b>\$ 37,222,782</b></u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Payable from current assets:	
Accounts payable	\$ 1,135,454
Other payables	532,943
Due to other funds	1,131,102
Current portion of long-term debt (note)	108,500
Payable from restricted assets:	
Customers' deposits	898,565
Current portion of long-term debt (bonds)	683,000
<b>Total current liabilities</b>	<u>4,489,564</u>
<b>Long-term liabilities</b>	
Compensated absences	66,960
Net pension liability	3,372,668
Bonds payable	10,535,965
Notes payable	995,812
<b>Total long-term liabilities</b>	<u>14,971,405</u>
<b>TOTAL LIABILITIES</b>	<u>19,460,969</u>
<b>DEFERRED INFLOWS - PENSION</b>	<u>122,091</u>
<b>NET POSITION</b>	
Net invested in capital assets	17,639,163
Restricted	1,184,468
Unrestricted	(1,183,909)
<b>Total Net Position</b>	<u>17,639,722</u>
<b>TOTAL LIABILITIES, NET POSITION, AND DEFERRED INFLOWS</b>	<u><b>\$ 37,222,782</b></u>

The accompanying notes are an integral part of this statement.

**CITY OF ZACHARY, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b>OPERATING REVENUES</b>	
Charges for services:	
Water sales	\$ 2,796,446
Gas sales	2,663,499
Sewer service charges	1,165,400
Installation charges	232,366
Impact Fees	54,750
Intergovernmental grant	806,154
Late fees	208,971
Pension expense income	50,808
Miscellaneous service revenues	126,753
<b>TOTAL OPERATING REVENUES</b>	<b><u>8,105,147</u></b>
<b>OPERATING EXPENSES</b>	
Water department	1,274,524
Gas department	1,638,466
Sewer department	876,049
Meters	502,935
Warehouse	231,734
Cashiers/Billing	286,560
General and administrative	1,250,256
Depreciation	1,869,797
<b>TOTAL OPERATING EXPENSES</b>	<b><u>7,930,321</u></b>
<b>OPERATING INCOME</b>	<b><u>174,826</u></b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	5,186
Interest expense	(141,751)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b><u>(136,565)</u></b>
<b>CHANGE IN NET POSITION</b>	<b>38,261</b>
<b>NET POSITION - Beginning</b>	<b><u>17,601,461</u></b>
<b>NET POSITION - Ending</b>	<b><u>\$ 17,639,722</u></b>

The accompanying notes are an integral part of this statement.

CITY OF ZACHARY, LOUISIANA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2019

	Utility Department
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 7,306,175
Cash payments to suppliers	(4,674,516)
Cash payments to employees	(1,190,297)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,796,981</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(2,242,144)
Proceeds from loan	35,680
Interest payments on bonds	(109,832)
Principal payments on bonds	(662,000)
Interest payments on note	(31,918)
Principal payments on note	(103,200)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(3,113,414)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest income from investments	5,186
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>5,186</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,311,247)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,961,831</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 3,650,584</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS:</b>	
Unrestricted cash	\$ 1,367,981
Restricted cash	2,282,603
	<b>\$ 3,650,584</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ 174,826
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,869,797
(Increase) decrease in accounts receivable	(190,136)
(Increase) decrease in inventory	45,078
(Increase) decrease in prepaid expense	(4,510)
(Increase) decrease in deferred outflows	(77,952)
Increase (decrease) in accounts payable and accrued expenses	(213,879)
Increase (decrease) in customer deposits	45,372
Increase (decrease) in net pension	195,387
Increase (decrease) in compensated absences	(61,563)
Increase (decrease) in deferred inflows	14,561
Total adjustments	1,622,155
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 1,796,981</b>

The accompanying notes are an integral part of this statement.

## CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

### NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The City of Zachary, Louisiana operates under a Home Rule Charter that provides for a mayor-council form of government. Five Council members are elected from separate districts at large, and they are compensated for their services. As authorized by its charter, the City is responsible for providing public safety, highways and streets, sanitation, recreation, public improvements, and general government services to its approximately 14,960 inhabitants with its boundaries located in East Baton Rouge Parish.

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

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

#### **Financial Reporting Entity**

As the municipal governing authority, for reporting purposes, the City of Zachary, Louisiana is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) the organizations for which the primary government is financially accountable, and (c) other organizations for which 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 (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Zachary, Louisiana 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. These criteria include the following:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organizations to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
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 ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

### NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

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

#### **Discretely Presented Component Unit**

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

The City has one component unit, Zachary City Court, which is defined by GASB Statement No. 14 as another legally separate organization for which the elected City officials are financially accountable.

#### **Basis of Presentation**

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

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

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

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

## CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

### NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

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

The City reports the following Governmental Funds:

#### **Major Funds**

##### **General Fund**

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

##### **Special Revenue Fund**

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

##### **Debt Service Fund**

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

The City reports the following Major Enterprise Fund:

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives or receives value without directed receiving or giving equal value in exchange, including property taxes, grants entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

## CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

### NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

#### **Use of Estimates**

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

#### **Operating and Non-operating Revenues and Expenses**

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

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

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

**NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued**

**Capital Assets**

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

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

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

**Budget and Budgetary Accounting**

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

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

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

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

**NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued**

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

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

**Cash and Cash Equivalents and Investments**

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

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

**Fair Value Measurements**

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

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

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

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

**Accounts Receivable and Bad Debt**

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

Accounts receivable are stated net of uncollectible accounts. Uncollectible amounts due from customers for utility services are recognized through an allowance for bad debts account at the time information becomes available. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible accounts. Allowances are reported when accounts are proven to be uncollectible. Accounts receivable of \$1,168,318 is reported net of allowance for uncollectible accounts for the year ended June 30, 2019. Revenues of \$8,105,147 are reported net of uncollectible amounts for the year ended June 30, 2019.

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

**NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued**

**Inventory**

Inventory of supplies in the proprietary fund is valued at cost (first-in, first-out).

Purchases of operating supplies by governmental fund types are recorded as expenditures when purchased; inventories of such supplies are not recorded and are not considered by management to be material.

**Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond June 30, 2019 are recorded as prepaid expenses.

Restricted assets included cash and cash equivalents that are legally restricted as to their use.

The restricted assets are related to the customers' water deposits and bond accounts.

**Short-term Interfund Receivables/Payables**

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

**Compensated Absences**

Employees earn up to 240 hours of vacation leave each year, depending on their length of service. Vacation leave can be accumulated, where up to 240 hours can be carried over each year. The Fire Department hours are different than other departments with up to 432 hours of vacation leave earned each year and up to 432 hours that can be carried over. There are a few employees that have frozen vacation, which is an addition to the hours quoted above. Upon termination, all unused vacation is paid to the employee up to a maximum of 480 hours plus the vacation hours earned up to the date of termination for all employees with the exception that the Fire Department can be paid up to 864 hours plus the hours earned up to the date of termination.

Employees earn varying amounts of sick leave each year depending on their length of service and employment status. Maximums are set for the accumulation of sick leave with even more restrictive limits established for post-retirement benefits.

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

- a. The employees' rights to receive compensation are attributable to services already rendered.

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

**NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued**

- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

In the government-wide financial statements and the proprietary fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. In accordance with GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, (issued in March of 2000), no compensated absences liability is recorded at June 30, 2019, in the governmental fund financial statements.

**Long-Term Obligations**

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

**Net Position**

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

- *Net invested in capital assets* – Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, laws, or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All other net position that does not meet the definition of "restricted" or "net invested in capital assets."

## CITY OF ZACHARY, LOUISIANA NOTES TO FINANCIAL STATEMENTS

### NOTE A: SIGNIFICANT ACCOUNTING POLICIES, continued

#### Operating Transfers

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

#### Statement of Cash Flows

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

#### Fund Equity

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

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

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

**NOTE A: SIGNIFICANT ACCOUNTING POLICIES**, continued

As of June 30, 2019, all fund balances are as follows:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Prepaid items	\$ 118,107	\$ -	\$ -	\$ -	\$ 118,107
Restricted	-	-	3,639,787	1,424,890	5,064,677
Committed:					
Capital Outlay	-	(2,138,790)	-	-	(2,138,790)
Unassigned	<u>12,249,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,249,882</u>
Total Fund Balances	<u>\$ 12,367,989</u>	<u>\$ (2,138,790)</u>	<u>\$ 3,639,787</u>	<u>\$ 1,424,890</u>	<u>\$ 15,293,876</u>

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

**Pension Plans**

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

**OPEB Plan**

The City of Zachary's defined benefit postemployment health care plan provides OPEB to eligible retired employees. Medical/dental benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by one of three retirement systems: the Municipal Employees' Retirement System of Louisiana, the Municipal Police Retirement System of Louisiana, and the Firefighters' Retirement System of Louisiana. The City of Zachary's OPEB plan is a single-employer defined benefit plan administered by the City. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification P52 *Postemployment Benefits Other Than Pensions-Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria-Defined Benefit*.

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

**NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

At June 30, 2019, the City of Zachary, Louisiana had the following balances:

	<b>Book Balances</b>	<b>Bank Balances</b>
Cash and cash equivalents	\$ 15,006,500	\$ 15,264,302
Investments	500,000	500,000
<b>Total</b>	<b>\$ 15,506,500</b>	<b>\$ 15,764,302</b>

The deposits are stated at cost, which approximates market.

*Security on Deposits:*

Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2019, the City had the following security on deposits as shown on the following page:

	Primary Government			Component Unit - City Court
	Cash	Nonnegotiable Certificates of Deposit	Total	Cash
Deposits per Balance Sheet (Reconciled bank balance)	\$ 15,006,500	\$ 500,000	\$ 15,506,500	\$ 159,713
Deposits in bank accounts per bank	\$ 15,264,302	\$ 500,000	\$ 15,764,302	\$ 212,903
Bank balances exposed to custodial credit risk:				
a. Uninsured and uncollateralized			-	-
b. Uninsured and collateralized with securities held by the pledging institution			-	-
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name			\$ 23,943,318	\$ 212,903
Excess of FDIC insurance and pledged securities			\$ 8,179,016	\$ -

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

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

**NOTE B: CASH AND CASH EQUIVALENTS AND INVESTMENTS, continued**

*Investments:*

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

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

*Custodial Credit Risk – Deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City of Zachary invests in certificates of deposits that are backed by FDIC and pledged securities, and U.S. government securities. The City has adopted the state investment policy at LA 49:327 and does not have any other policy that would further limit the investment choices. As of June 30, 2018, 100% of the City’s investment balances were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution’s trust department or agent, but not in the entity’s name.

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

At June 30, 2019, the City held a six month certificate of deposit (all level 1), with an original maturity greater than 90 days, totaling \$500,000. The certificate of deposit matured on July 8, 2019 and was renewed for another six months. This investment is stated on the balance sheet at market value and is as follows:

<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Certificate of deposit	<u>\$ 500,000</u>	<u>\$ 500,000</u>	7/8/2019	0.85%
Total Investments	<u>\$ 500,000</u>	<u>\$ 500,000</u>		

The City of Zachary did not have Level 2 or 3 assets at June 30, 2019.

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

**NOTE C: ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

The receivables at June 30, 2019 are as follows:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Beer Tax	\$ 4,160	\$ -
Fines	10,484	-
Sales Tax	1,871,609	-
Charge for Services	319,844	1,168,318
Garbage Collection Fees	-	-
Fire District #1	493,410	-
Americana tax	23,538	-
Franchise	114,368	-
911 Operations	137,867	-
City/Parish Street	37,475	-
State of LA Grant	9,795	558,372
Other	154,930	13,553
<b>Total</b>	<b>\$ 3,177,480</b>	<b>\$ 1,740,243</b>

**NOTE D: RESTRICTED ASSETS**

Customer deposits are paid by customers upon application of water service and are returnable to them upon termination of services. The District maintains an interest-bearing account and a certificate of deposit which are designated specifically for meter deposits. At June 30, 2019, customer deposits amounted to \$915,135.

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

	<u>Bond Construction Account</u>	<u>Utility Revenue Bond Debt Service Fund</u>	<u>Utility Revenue Bond Debt Service Reserve Fund</u>	<u>Depreciation &amp; Contingency Fund</u>
<b>Beginning balance, July 1, 2018</b>	<b>\$ 901,792</b>	<b>\$ 556,531</b>	<b>\$ 801,510</b>	<b>\$ 500,000</b>
<b>Add:</b>				
Deposits	35,680	-	-	-
Transfers from utility checking	-	780,000	-	-
Interest earned	-	537	802	-
<b>Total funds available</b>	<b>937,472</b>	<b>1,337,068</b>	<b>802,312</b>	<b>500,000</b>
<b>Less:</b>				
Cash disbursement	937,472	-	-	-
Bond principal & interest payments	-	771,832	-	-
Transfers to general fund	-	-	-	-
Service charges	-	80	-	-
<b>Ending balance, June 30, 2019</b>	<b>\$ -</b>	<b>\$ 565,156</b>	<b>\$ 802,312</b>	<b>\$ 500,000</b>

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

**NOTE D: RESTRICTED ASSETS, continued**

Total restricted assets of the Utility Fund were applicable to the following at June 30, 2019:

	2019
Customer Deposits Accounts:	
Cash and Cash Equivalents	\$ 415,135
Investments	500,000
Utility Revenue Bond:	
Cash and Cash Equivalents	1,867,468
Total	\$ 2,782,603

**NOTE E: CAPITAL ASSETS**

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

	Primary Government				
	Balance 6/30/2018	Additions	Deletions	Relass- ification	
Land	\$ 2,506,635	\$ -	\$ -	\$ -	\$ 2,506,635
Road infrastructure	21,817,093	-	-	8,965,186	30,782,279
Buildings and improvements	5,835,715	-	-	-	5,835,715
Machinery and equipment	12,621,289	867,055	-	-	13,488,344
Construction in progress - Streets	9,112,994	97,538	-	(8,965,186)	245,346
Total Capital Assets	\$ 51,893,726	\$ 964,593	\$ -	\$ -	\$ 52,858,319

	Primary Government				
	Accumulated Depreciation Balance 6/30/2018	Additions	Deletions	Accumulated Depreciation Balance 6/30/2019	
Land	\$ -	\$ -	\$ -	\$ -	\$ 2,506,635
Road infrastructure	3,209,436	604,246	-	3,813,682	26,968,597
Buildings and improvements	2,381,191	218,878	-	2,600,069	3,235,646
Machinery and equipment	6,928,289	737,719	-	7,666,008	5,822,336
Construction in progress - Streets	-	-	-	-	245,346
Total Accumulated Depreciation	\$ 12,518,916	\$ 1,560,843	\$ -	\$ 14,079,759	\$ 38,778,560

Depreciation expense for the year ended June 30, 2019 was charged to the following governmental functions:

General government	\$ 956,597
Streets	604,246
	\$ 1,560,843

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

**NOTE E: CAPITAL ASSETS, continued**

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

	Business-Type Activities				Balance 6/30/2019
	Balance 6/30/2018	Additions	Deletions	Reclassifications	
Land	\$ 180,745	\$ -	\$ -	\$ -	\$ 180,745
Construction in progress	2,474,709	1,333,912	-	(2,515,973)	1,292,648
Buildings and improvements, Gas, water, sewer systems	47,355,558	823,670	-	2,515,973	50,695,201
Machinery and equipment	2,423,058	84,561	-	-	2,507,619
<b>Total Capital Assets</b>	<b>\$ 52,434,070</b>	<b>\$ 2,242,143</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 54,676,213</b>

	Business-Type Activities				Capital Assets Net of Accumulated Depreciation
	Accumulated Depreciation Balance 6/30/2018	Additions	Deletions	Accumulated Depreciation Balance 6/30/2019	
Land	\$ -	\$ -	\$ -	\$ -	\$ 180,745
Construction in progress	-	-	-	-	1,292,648
Buildings and improvements, Gas, water, sewer systems	20,791,575	1,769,985	-	22,561,560	28,133,641
Machinery and equipment	2,052,401	99,812	-	2,152,213	355,406
<b>Total Accumulated Depreciation</b>	<b>\$ 22,843,976</b>	<b>\$ 1,869,797</b>	<b>\$ -</b>	<b>\$ 24,713,773</b>	<b>\$ 29,962,440</b>

Depreciation expense for the year ended June 30, 2019 for business-type activities totaled \$1,869,797 and there was no capitalized interest.

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

	Component Unit			
	Balance 6/30/2018	Additions	Deletions	Balance 6/30/2019
Machinery and equipment	\$ 379,731	\$ 8,646	\$ -	\$ 388,377
Accumulated depreciation	(341,928)	(20,415)	-	(362,343)
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 37,803</b>	<b>\$ (11,769)</b>	<b>\$ -</b>	<b>\$ 26,034</b>

Depreciation expense for the year for the component unit ended June 30, 2019 totaled \$20,415.

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

**NOTE F: INTERFUND RECEIVABLE AND PAYABLE**

Interfund receivable and payable representing short-term borrowing at June 30, 2019 were as follows:

Fund	Interfund Receivables	Interfund Payables
Debt service fund	\$ 668,570	\$ -
Special revenue fund	-	2,109,791
Proprietary fund	-	1,131,102
General fund	2,572,323	-
	<u>\$ 3,240,893</u>	<u>\$ 3,240,893</u>

**NOTE G: CONTRACTS**

The City of Zachary, Louisiana also has a contract with Waste Management of Louisiana, LLC, to perform the work required to collect and dispose of all residential solid waste and boom truck service for all residential units of the City at a cost \$14.44 per unit per month for a four-year period beginning July 1, 2015 and ending June 30, 2019. The total amount paid for this lease for the year ended June 30, 2019 was \$1,463,571.

**NOTE H: LONG-TERM DEBT**

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

	June 30, 2018	Additions	Deletions	June 30, 2019	Current Portion
<b>Governmental Activities:</b>					
Public Street - bonds	\$ 7,950,000	\$ -	\$ (575,000)	\$ 7,375,000	\$ 600,000
Hotel Occupancy Tax bonds	1,000,000	-	(180,000)	820,000	90,000
Claims and judgments - Litigation & Special item	675,000	-	(575,000)	100,000	100,000
OPEB Liability	15,379,992	1,786,245	-	17,166,237	-
Net pension liability	11,841,131	364,981	-	12,206,112	-
Compensated absences	1,121,383	-	(10,382)	1,111,001	-
	<u>\$ 37,967,506</u>	<u>\$ 2,151,226</u>	<u>\$ (1,340,382)</u>	<u>\$ 38,778,350</u>	<u>\$ 790,000</u>
<b>Business-Type Activities:</b>					
Compensated absences	\$ 128,523	\$ -	\$ (61,563)	\$ 66,960	\$ -
Net pension liability	3,177,281	195,387	-	3,372,668	-
Bonds payable	11,845,285	-	(626,320)	11,218,965	683,000
Loan agreement	1,207,512	-	(103,200)	1,104,312	108,500
	<u>\$ 16,358,601</u>	<u>\$ 195,387</u>	<u>\$ (791,083)</u>	<u>\$ 15,762,905</u>	<u>\$ 791,500</u>

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

**NOTE H: LONG-TERM DEBT**, continued

Public Street Bonds

In 2013, the City of Zachary, Louisiana was issued \$10,000,000 of Public Street Bonds, Series 2013. The interest rate is 4.50% and interest payments are payable semiannually. Principal payments are made annually beginning October 1, 2014 through October 1, 2028. These funds must be used for the widening and improvement of existing public roads and streets, construction of new public roads and streets, road beautification projects, and paying bond issuance costs.

Hotel Occupancy Tax Bonds

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

Following is a summary of loan transactions as of June 30, 2019 for Public Street Bonds and Hotel Occupancy Tax Bonds:

	<u>Public Street</u>	<u>Hotel Occupancy</u>
<b>Balance July 1, 2018</b>	\$ 7,950,000	\$ 1,000,000
Bond proceeds	-	-
Principal payments	575,000	180,000
<b>Balance, June 30, 2019</b>	<u>\$ 7,375,000</u>	<u>\$ 820,000</u>
Current portion as of June 30, 2019	\$ 600,000	\$ 90,000
Long-term liability as of June 30, 2019	6,775,000	730,000
Total liability as of June 30, 2019	<u>\$ 7,375,000</u>	<u>\$ 820,000</u>

Loan Agreement – Business-Type Fund

In September 2002, the Council authorized the City to execute a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the "LCDA") for the purpose of providing funds for the construction of public works and infrastructure related to the Central Service Pump Station and Force Main projects in an amount of \$1,500,000. In August 2003, the City amended the original loan agreement with LCDA for an additional \$1,500,000 for the acquisition, construction, installation, and equipping of meter read system for the various utilities. Advances under the loan agreement were drawn down as expenditures made on this project. The interest rate on these advances fluctuates weekly with changes in the Bond Market Association (BMA) Municipal Swap Index. The average interest rate on outstanding advances at June 30, 2019 was 2.64%.

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

**NOTE H: LONG-TERM DEBT, continued**

The future annual debt service requirements as of June 30, 2019 are as follows:

	<b>LCDA Loan</b>
<b>Balance July 1, 2018</b>	\$ 1,207,512
Principal Payments	(103,200)
<b>Balance, June 30, 2019</b>	<b>\$ 1,104,312</b>
Current portion as of June 30, 2019	\$ 108,500
Long-term liability as of June 30, 2019	995,812
<b>Total liability as of June 30, 2019</b>	<b>\$ 1,104,312</b>

**Bonds Payable – Business-Type Fund**

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

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

The following is a summary of the loan transactions as of June 30, 2019:

	<b>\$9,300,000</b>	<b>\$5,000,000</b>	<b>Total</b>
<b>Balance July 1, 2018</b>	\$ 7,590,999	\$ 4,254,286	\$ 11,845,285
Bond proceeds	-	35,680	35,680
Principal Payments	(442,000)	(220,000)	(662,000)
<b>Balance, June 30, 2019</b>	<b>\$ 7,148,999</b>	<b>\$ 4,069,966</b>	<b>\$ 11,218,965</b>
Current portion as of June 30, 2019	\$ 446,000	\$ 237,000	\$ 683,000
Long-term liability as of June 30, 2019	6,703,000	3,832,965	10,535,965
<b>Total liability as of June 30, 2019</b>	<b>\$ 7,148,999</b>	<b>\$ 4,069,966</b>	<b>\$ 11,218,965</b>

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

**NOTE H: LONG-TERM DEBT**, continued

The annual requirements to amortize all debt outstanding as of June 30, 2019 including interest and administrative fees of \$2,832,949 are as follows:

Year Ending June 30	Utility Revenue Bonds Series 2012	Utility Revenue Bonds Series 2014	LCDA Loan	Public Street Bonds	Hotel Occupancy Tax Bonds	Totals
2020	511,797	274,539	123,492	918,375	118,700	1,946,903
2021	511,541	274,278	128,670	920,700	120,550	1,955,739
2022	511,247	273,998	132,930	916,787	122,225	1,957,187
2023	511,910	274,694	137,672	916,637	118,726	1,959,639
2024	511,531	274,367	143,595	915,137	120,224	1,964,854
2025-2029	2,556,535	1,372,161	520,127	4,566,099	353,450	9,368,372
2030-2035	2,555,737	1,642,795	-	-	-	4,198,532
Total	7,670,298	4,386,832	1,186,486	9,153,735	953,875	23,351,226
Less Current Maturities	(511,797)	(274,539)	(123,492)	(918,375)	(118,700)	(1,946,903)
	<u>\$ 7,158,501</u>	<u>\$ 4,112,293</u>	<u>\$ 1,062,994</u>	<u>\$ 8,235,360</u>	<u>\$ 835,175</u>	<u>\$ 21,404,323</u>

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

**A) BUSINESS TYPE FUND**

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

- 1) The payment of all reasonable and necessary expenses of operation and maintenance of the System as are not provided for from other lawfully available sources.
- 2) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Fund" (the "Debt Service Fund"), sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds, as they severally become due and payable, by transferring from funds in the Revenue Fund, after making the payments required by (a) above, to the Debt Service Fund monthly on or before the 20<sup>th</sup> day of each month of each year, at least a sum equal to 1/6<sup>th</sup> of the interest and Administrative Fee, if any, falling due on the Bonds on the next Interest Payment Date and at least a sum equal to 1/12<sup>th</sup> of the principal falling

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

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

due on the Bonds on any Principal Payment Date that occurs within the next ensuing twelve months, together with such additional proportionate monthly sum as may be required to pay said principal, interest, and Administrative Fee as the same become due. The City shall transfer from said Debt Service Fund to the paying agent(s) for all Bonds payable from the Debt Service Fund, or directly to the Owners, not less than three days prior to each Interest Payment Date, funds fully sufficient to pay promptly the principal, interest, and Administrative Fee of the Bonds falling due on such date.

- 3) The establishment and maintenance of a "Utilities Revenue Bond Debt Service Reserve Fund" (the "Reserve Fund"), containing separate accounts for each series of the Bonds, each such account to be designated (as set forth in a Series Ordinance) as the "Series 2012 Account," the money in the accounts of Reserve Fund to be retained solely for the purpose of paying the principal of and interest on the respective series of the bonds payable from the Debt Service Fund as to which there would otherwise be default, by transferring from the proceeds of such series or from other available monies, or from the Revenue Fund (after making all required payments from said fund as hereinabove described), monthly or annually, such amounts as will increase the total amount on deposit in each account in the Reserve Fund to a sum equal to the Reserve Fund Requirement for the applicable Series of the Bonds.
- 4) The establishment and maintenance of the "Depreciation and Contingency Fund" (the "Contingencies Fund"), to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from funds in the Revenue Fund after making the payment required (1), (2), and (3) above to the Contingencies Fund monthly on or before the 20<sup>th</sup> day of each month of each year, a sum equal to five percent (5%) of the Net Revenues for the preceding month, provided that such sum is available after provisions is made for the payments required under paragraphs (1), (2), and (3) above. Such payments into the Contingencies Fund shall continue until such time as there has been accumulated in the Contingencies Fund the sum of Five Hundred Thousand Dollars (\$500,000), whereupon such payments may cease and need be resumed thereafter only if the total amount of money on deposit in said fund is reduced below the sum of Five Hundred Thousand Dollars (\$500,000), in which event such payments shall be resumed and continue until said maximum amount is again accumulated. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund described in paragraphs (2) and (3) above, but the money in said Contingencies Fund may also be used to pay the principal of and the interest on the Bonds for the payment of which there is not sufficient money in the Debt Service Fund and Reserve Fund shall never be used for the making of improvements and extensions to the System or for payment of principal or interest on Bonds if the use of said money

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

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

will leave in said Contingencies Fund for the making of emergency repairs or replacements less than the sum of Seventy-Five Thousand Dollars (\$75,000).

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

**B) GOVERNMENTAL FUNDS**

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

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

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

- 1) The establishment and maintenance of the "Public Street Bond Sinking Fund – 2013." (hereinafter called the "Sinking Fund"), sufficient in amount to pay promptly and fully the principal of, premium, if any, and the interest on the Bonds herein authorized, including any pari passu bonds issued hereafter in the manner provided by this Bond Ordinance, as they severally become due and payable, by transferring from the Revenue Bond Fund to the regularly designated fiscal agent of the Issuer, monthly in advance on or before the 20th day of each month of each year, a sum equal to one-sixth (1/6) of the interest falling due on the next Interest Payment Date and one-twelfth (1/12) of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. Said fiscal agent shall transfer from the Sinking Fund to the paying agent bank or banks for all bonds payable from the Sinking Fund, at least two (2) days in advance of the date on which payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

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

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

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

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

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

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

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

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

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

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

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

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

All or any part of the moneys in the Reserve Fund shall, at the written request of the issuer, be invested in direct obligations of the United States of America, maturing in five (5) years or less. The income on such funds shall be added to the Revenue Bond Fund, provided that if the amount in the Reserve Fund at any time is less than the Reserve Fund Requirement, then any income derived from such investments in the Reserve Fund shall be retained in the Reserve Fund. Such investments shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purposes for which the respective funds are herein created.

**NOTE J: ACCOUNTS, SALARIES, AND OTHER PAYABLES**

A summary of payables at June 30, 2019 is as follows:

<u>Class of Payables</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Proprietary Funds</u>
Accounts payable	\$ 276,944	\$ 28,999	\$ 1,135,454
Accrued expenses	182,786	-	532,943
<b>Total</b>	<b>\$ 459,730</b>	<b>\$ 28,999</b>	<b>\$ 1,668,397</b>

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

**NOTE K: AD VALOREM TAXES**

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

The East Baton Rouge Parish Sheriff's office bills and collects the property taxes for the City using the assessed values determined by the tax assessor of East Baton Rouge Parish. For the 2019 calendar year, taxes of 5.48 mills were levied (6.75 mills authorized) on property with assessed valuations totaling \$165,172,225 and were available for general purposes.

Ad valorem taxes collected during the year ended June 30, 2019 totaled \$903,943.

**NOTE L: PENSION PLAN**

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

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

**Municipal Employees Retirement System of Louisiana (MERS)**

**Plan Description:**

All of the City's full-time general employees participate in the MERS, a multiple-employer, cost-sharing pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the City are members of Plan A. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. MERS has issued a stand-alone audit report on their financial statements for the year ended June 30, 2018. Access to the report can be found on the Louisiana Legislative Auditor's website, [www.la.gov](http://www.la.gov).

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

**NOTE L: PENSION PLAN, continued**

**Retirement Benefits:**

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

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

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

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

**Survivor Benefits:**

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

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

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

**NOTE L: PENSION PLAN**, continued

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

**DROP Benefits:**

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

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

**Disability Benefits:**

For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service whichever is greater or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

**Cost of Living Increases:**

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

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

**NOTE L: PENSION PLAN**, continued

**Deferred Benefits:**

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

**Employer Contributions:**

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

According to state statute, contributions for all employers are actuarially determined each year. For the year ended June 30, 2018, the actual employer contribution rate was 24.75% of member's earnings for Plan A.

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

Administrative costs of the System are financed through employer contributions.

Plan members are required by state statute to contribute 9.50 percent of their annual covered salary to the System, and The City of Zachary is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 26.00 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish. The contribution requirements of plan members and the City of Zachary are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MERS during the years ended June 30, 2019, 2018, and 2017 totaled \$663,067, \$603,366, and \$511,093, respectively, equal to the required contributions.

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

At June 30, 2019, the City reported a liability of \$2,156,296 for its governmental activities and \$3,372,668 for its business-type activities for its proportionate share of the net pension liability for MERS, totaling \$5,528,964. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the

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

**NOTE L: PENSION PLAN, continued**

projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion for MERS was 1.33528%, which was an increase of .090209% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$378,455 for its governmental activities for MERS less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$2,984), and recognized pension expense of \$591,942 for its business-type activities for MERS less employer's amortization of change in proportionate share and difference between employer contributions and proportionate share of contributions, (\$4,667).

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for its governmental activities and business-type activities for MERS from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (76,666)	\$ -	\$ (119,914)
Changes of assumptions	64,910	-	101,525	-
Net difference between projected and actual earnings on pension plan investments	330,440	-	516,841	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	84,559	(1,392)	132,260	(2,177)
Employer contributions subsequent to the measurement date	258,596	-	404,471	-
<b>Total</b>	<u>\$ 738,505</u>	<u>\$ (78,058)</u>	<u>\$ 1,155,097</u>	<u>\$ (122,091)</u>

The City reported a total for MERS of \$258,596 for its governmental activities and \$404,471 for its business-type activities, totaling \$663,067, as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018, which will be recognized as a reduction in net pension liability for the year ended June 30, 2020.

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

**NOTE L: PENSION PLAN**, continued

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

Year	Governmental Activities	Business-Type Activities
2020	223,227	349,149
2021	140,036	219,030
2022	29,145	45,585
2023	9,443	14,771
	\$ 401,851	\$ 628,535

**Actuarial Assumptions:**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future. The actuarial assumptions used in the June 30, 2018 valuation was based on the results of an experience study, for the period July 2009 through June 30, 2014.

A summary of actuarial methods and assumptions used in determining the total net pension liability for MERS as of June 30, 2018 is as follows:

<b>Valuation Date</b>	June 30, 2018
<b>Actuarial Cost Method</b>	Entry Age Normal Cost
<b>Actuarial Assumptions:</b>	
<b>Expected Remaining Service Lives</b>	3 years for Plan A
<b>Investment Rate of Return</b>	7.275%
<b>Inflation Rate</b>	2.775%
<b>Salary increases, including inflation and merit increases</b>	5.000%
<b>Annuitant and beneficiary mortality</b>	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
<b>Employee mortality</b>	RP-2000 Employees Sex Distinct Table set back 2 years for both males and females.
<b>Disabled lives mortality</b>	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.

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

**NOTE L: PENSION PLAN**, continued

**Discount Rate:**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018 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%	2.20%
Public fixed income	35%	1.50%
Alternatives	15%	0.06%
Totals	100%	4.30%
Inflation		2.70%
Expected Arithmetic Nominal Return		7.00%

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.275% for the year ended June 30, 2018. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the project earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2018 is 3 years for Plan A.

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

**NOTE L: PENSION PLAN**, continued

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

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

	Governmental Activities		
	1.0% Decrease	Current	1.0% Increase
	6.275%	Discount Rate 7.275%	8.275%
Net Pension Liability	\$ 2,769,959	\$ 2,156,296	\$ 1,632,513

  

	Business-Type Activities		
	1.0% Decrease	Current	1.0% Increase
	6.275%	Discount Rate 7.275%	8.275%
Net Pension Liability	\$ 4,332,501	\$ 3,372,668	\$ 2,553,418

**Municipal Police Employees Retirement System of Louisiana (MPERS)**

**Plan Description:**

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

**Retirement Benefits:**

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

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

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

**NOTE L: PENSION PLAN**, continued

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

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

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

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

**Cost of Living Adjustments:**

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

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

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

**NOTE L: PENSION PLAN, continued**

**Deferred Retirement Option Plan:**

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

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

**Initial Benefit Option Plan:**

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

**Employer Contributions:**

Contributions for all members are actuarially determined as required by state law but cannot be less than 9.00% of the employees' earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2018, total contributions due for employers and employees were 40.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 30.75% and 10.00%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 30.75% and 8.00%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 33.25% and 7.50%, respectively.

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

**NOTE L: PENSION PLAN, continued**

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

Plan members are required by state statute to contribute 10% of their annual covered salary to the System, and the City of Zachary is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 32.25 percent of annual covered payroll. The contribution requirements of plan members and the City of Zachary are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MPERS during the years ended June 30, 2019, 2018, and 2017, total \$694,502, \$648,078, and \$664,519, respectively, equal to the required contributions.

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

At June 30, 2019, the City reported a liability of \$6,104,077 for its proportionate share of the net pension liability for MPERS. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion for MPERS was .722029%, which was an increase of .02094% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$729,208 for MPERS less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$1,875).

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for MPERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 27,517	\$ (311,931)
Changes of assumptions	398,898	-
Net difference between projected and actual earnings on pension plan investments	292,616	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	121,815	(214,468)
Employer contributions subsequent to the measurement date	694,502	-
<b>Total</b>	<b>\$ 1,535,348</b>	<b>\$ (526,399)</b>

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

**NOTE L: PENSION PLAN, continued**

The City reported a total for MPERS of \$694,502 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018, which will be recognized as a reduction in net pension liability for the year ended June 30, 2020.

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

Year	
2020	253,844
2021	177,576
2022	(127,601)
2023	10,628
	\$ 314,447

**Actuarial Assumptions:**

A summary of actuarial methods and assumptions used in determining the total net pension liability for MPERS as of June 30, 2018 is as follows:

<b>Valuation Date</b>	June 30, 2018	
<b>Actuarial Cost Method</b>	Entry Age Normal Cost	
<b>Actuarial Assumptions:</b>		
<b>Inflation Rate</b>	2.6%	
<b>Expected Remaining Service Lives</b>	4 years	
<b>Investment Rate of Return</b>	7.20%, net of investment expense	
<b>Projected Salary Increases</b>	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1 - 2	9.75%
	3 - 23	4.75%
	Over 23	4.25%
<b>Mortality</b>	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	
<b>Cost of Living Adjustments</b>	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

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

**NOTE L: PENSION PLAN, continued**

**Mortality Rate:**

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

The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2018 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	52%	3.58%
Fixed income	22%	0.46%
Alternatives	20%	1.07%
Other	6%	0.17%
Totals	100%	5.28%
Inflation		2.75%
Expected Nominal Return		8.03%

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1.0% Decrease 6.200%</u>	<u>Current Discount Rate 7.200%</u>	<u>1.0% Increase 8.200%</u>
Net Pension Liability	\$ 8,577,918	\$ 6,104,077	\$ 4,028,620

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

**NOTE L: PENSION PLAN**, continued

**Firefighters' Retirement System (FRS)**

**Plan Description:**

All of the City's full-time fire employees participate in the FRS, a multiple-employer, cost-sharing, defined benefit pension plan administered by a separate board of trustees. FRS was established by Act 434 of 1979 and amended by LRS 11:2251-11:2272 to provide retirement, disability, and survivor benefits to participating, eligible firefighters in Louisiana. Benefits are established and amended by state statute. FRS issued a stand-alone audit report on its financial statements for the year ended June 30, 2018. Access to the audit report can be found on the System's website: [www.lafirefightersret.com](http://www.lafirefightersret.com) or on the Office of Louisiana Legislative Auditor's official website: [www.lla.state.la.us](http://www.lla.state.la.us).

**Eligibility Requirements:**

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

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

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

**Retirement Benefits:**

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

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

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

**NOTE L: PENSION PLAN, continued**

**Disability Benefits:**

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

**Death Benefits:**

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

**Deferred Retirement Option Plan:**

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

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

**Initial Benefit Option Plan:**

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

**Cost of Living Adjustment (COLAs):**

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

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

**NOTE L: PENSION PLAN, continued**

month, and "A" is equal to the number of years of credited service accrued at retirement or at death of the member of retiree, and "B" is equal to the number of years since retirement or since death of the member of retiree to June 30<sup>th</sup> of the initial year of such increase.

**Employer, Employee, and Non-employer Contributions:**

Contribution requirements for employers, non-employer contributing entities, and employees are established and may be amended in accordance with Title 11 and Title 22 of the Louisiana Revised Statutes. According to State statute, employer contributions are actuarially-determined each year. For the year ended June 30, 2018, employer and employee contribution rates for members above the poverty line were 26.50% and 10.00%, respectively. The employer and employee contribution rates for those members below the poverty line were 28.50% and 8.00%, respectively.

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

Plan members are required by state statute to contribute 10% of their salary to the System, and the City of Zachary is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 26.50%). The contribution requirements of plan members and the City of Zachary are established and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the FRS during the years ended June 30, 2019, 2018, and 2017, totaled \$453,542, \$428,919, and \$376,064, respectively, equal to the required contributions.

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

At June 30, 2019, the City reported a liability of \$3,915,186 for its proportionate share of the net pension liability for FRS. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion for FRS was .680656%, which was an increase of .042778% from its proportion measured as of June 30, 2017.

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

**NOTE L: PENSION PLAN, continued**

For the year ended June 30, 2019, the City recognized pension expense of \$774,811 for FRS less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$1,466). At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for FRS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (297,989)
Changes of assumptions	273,128	(620)
Net difference between projected and actual earnings on pension plan investments	254,588	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	422,470	(4,447)
Employer contributions subsequent to the measurement date	453,542	-
Total	\$ 1,403,728	\$ (303,056)

The City reported a total for FRS of \$453,542 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018, which will be recognized as a reduction in net pension liability for the year ended June 30, 2020.

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

<b>Year</b>	
2020	324,030
2021	175,126
2022	(20,949)
2023	80,463
2024	54,574
2025	33,886
	\$ 647,130

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

**NOTE L: PENSION PLAN, continued**

**Actuarial Assumptions:**

A summary of actuarial methods and assumptions used in determining the total net pension liability for FRS as of June 30, 2018 is as follows:

	(decreased from 7.40% in 2017)
<b>Valuation Date</b>	June 30, 2018
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Investment Rate of Return (discount rate)</b>	7.30% per annum (net of investment expenses, including inflation)
<b>Expected Remaining Service Lives</b>	7 years, closed period
<b>Inflation Rate</b>	2.700% per annum (decreased from 2.775% in 2017)
<b>Salary Increases</b>	Vary from 15.0% in the first two years of service to 4.75% with 25 or more years of service; includes inflation and merit increases
<b>Cost of Living Adjustments (COLAs)</b>	For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.

**Mortality Rate:**

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

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

**NOTE L: PENSION PLAN**, continued

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation, 2.75%. The resulting long-term expected arithmetic nominal rate of return was 8.09% as June 30, 2018. Best estimates of arithmetic real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2018, are summarized in the following table:

	<u>Asset Type</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b>Equity</b>	U.S. Equity	22.00%	6.14%
	Non-U.S. Equity	22.00%	7.46%
	Global Equity	10.00%	6.74%
<b>Fixed Income Alternatives</b>	Fixed Income	26.00%	1.76%
	Real Estate	6.00%	4.38%
<b>Multi-Asset Strategies</b>	Private Equity	4.00%	8.73%
	Global Tactical Asset Allocation	5.00%	4.31%
	Risk Parity	5.00%	4.89%
		<u>100%</u>	

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates, and that contributions from participating employers and non-employer contributing entities will be made at the actuarially-determined rates approved by the Board of Trustees and by the Public Retirement Systems' Actuarial Committee taking into consideration the recommendation of the System's actuary. Based on these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following represents the net pension liability of the participating employers calculated using the discount rate of 7.30%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of June 30, 2018:

	<u>1.0% Decrease 6.30%</u>	<u>Current Discount Rate 7.30%</u>	<u>1.0% Increase 8.30%</u>
Net Pension Liability	\$ 5,713,183	\$ 3,915,186	\$ 2,404,251

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

**NOTE L: PENSION PLAN, continued**

**Louisiana State Employees' Retirement System**

**Plan Description:**

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

**Retirement Benefits:**

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

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

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

**NOTE L: PENSION PLAN, continued**

Act 992 on the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will received a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

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

**Deferred Retirement Benefits:**

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

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

**NOTE L: PENSION PLAN, continued**

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

**Disability Benefits:**

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

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

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

**Survivor Benefits:**

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

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

**Permanent Benefit Increases/Cost of Living Adjustments:**

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

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

**NOTE L: PENSION PLAN, continued**

**Contributions:**

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

Plan	Plan Status	Employee Contribution Rate	Employer Contribution Rate
Appellate Law Clerks	Closed	7.5%	37.9%
Appelate Law Clerks hired on or after 7/1/06	Open	8.0%	37.9%
Alcohol Tobacco Control	Closed	9.0%	32.7%
Bridge Police	Closed	8.5%	36.5%
Bridge Police hired on or after 7/01/06	Closed	8.5%	36.5%
Corrections Primary	Closed	9.0%	33.2%
Corrections Secondary	Closed	9.0%	37.6%
Hazardous Duty	Open	9.5%	38.3%
Judges hired before 1/1/11	Closed	11.5%	40.1%
Judges hired after 12/31/10	Closed	13.0%	39.6%
Judges hired on or after 7/1/15	Open	13.0%	39.6%
Legislators	Closed	11.5%	41.7%
Optional Retirement Plan (ORP) before 7/1/06	Closed	7.5%	37.9%
Optional Retirement Plan (ORP) on or after 7/1/06	Closed	8.0%	37.9%
Peace Officers	Closed	9.0%	36.7%
Regular Employees hired before 7/1/06	Closed	7.5%	37.9%
Regular Employees hired on or after 7/1/06	Closed	8.0%	37.9%
Regular Employees hired on or after 1/1/11	Closed	8.0%	37.9%
Regular Employees Hired on or after 7/1/15	Open	8.0%	37.9%
Special Legislative Employees	Closed	9.5%	43.7%
Wildlife Agents	Closed	9.5%	46.6%

The City's contractually required composite contribution rate for the year ended June 30, 2018 was 40.10% for the City and 40.10% for the City Court, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the City were \$3,562 for the year ended June 30, 2019 and contributions to the pension from City Court were \$32,493 for the year ended June 30, 2019.

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

**NOTE L: PENSION PLAN, continued**

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

At June 30, 2019, the City reported a liability of \$30,553 for its proportionate share of the net pension liability for LASERS and the City Court reported a liability of \$313,171. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The City and City Court's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion for LASERS was .00045%, which was a decrease of .000051% from its proportion measured as of June 30, 2016. At June 30, 2018, the City Court's proportion for LASERS was .00459%, which was an increase of .00073% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$2,584 for LASERS less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$655). The City Court recognized pension expense of \$25,572 for LASERS plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$14,857.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for LASERS from the following sources:

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (343)	\$ -	\$ (3,513)
Changes of assumptions	311	-	3,187	-
Net difference between projected and actual earnings on pension plan investments	396	-	4,061	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,100	(3,511)	85,747	(39,667)
Employer contributions subsequent to the measurement date	3,562	-	32,493	-
<b>Total</b>	<u>\$ 6,369</u>	<u>\$ (3,854)</u>	<u>\$ 125,488</u>	<u>\$ (43,180)</u>

The City reported a total for LASERS of \$3,562 and the City Court reported a total for LASERS of \$32,493 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018, which will be recognized as a reduction in net pension liability for the year ended June 30, 2020.

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

**NOTE L: PENSION PLAN, continued**

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

Year	Primary Government	Component Unit
2020	(219)	38,338
2021	31	20,276
2022	(747)	(7,653)
2023	(112)	(1,146)
	\$ (1,047)	\$ 49,815

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.83% for 2018. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Portfolio Real Rate of Return
Cash	-0.48%
Domestic equity	4.31%
International equity	5.26%
Domestic Fixed Income	1.49%
International Fixed Income	23.00%
Alternative Investments	7.67%
Global Tactical Asset Allocation	4.96%
Totals	5.40%

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**NOTE L: PENSION PLAN, continued**

**Actuarial Assumptions:**

A summary of actuarial methods and assumptions used in determining the total net pension liability for LASERS as of June 30, 2018 is as follows:

<b>Valuation Date</b>	June 30, 2018																		
<b>Actuarial Cost Method</b>	Entry Age Normal																		
<b>Actuarial Assumptions:</b>																			
<b>Inflation Rate</b>	2.75% per annum																		
<b>Expected Remaining Service Lives</b>	3 years																		
<b>Investment Rate of Return</b>	7.650% per annum, net of investment expenses*																		
<b>Mortality</b>	<b>Non-disabled members</b> - Mortality rates based on RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015. <b>Disabled members</b> - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.																		
<b>Termination, Disability, and Retirement</b>	Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.																		
<b>Salary increases</b>	Salary increases were projected based on a 2009-2013 experience study of the System's members. The salary increase ranges for specific types of members are:																		
	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>Member Type</u></th> <th style="text-align: center;"><u>Lower Range</u></th> <th style="text-align: center;"><u>Upper Range</u></th> </tr> </thead> <tbody> <tr> <td>Regular</td> <td style="text-align: center;">3.8%</td> <td style="text-align: center;">12.8%</td> </tr> <tr> <td>Judges</td> <td style="text-align: center;">2.8%</td> <td style="text-align: center;">5.3%</td> </tr> <tr> <td>Corrections</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> <tr> <td>Hazardous Duty</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> <tr> <td>Wildlife</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> </tbody> </table>	<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>	Regular	3.8%	12.8%	Judges	2.8%	5.3%	Corrections	3.4%	14.3%	Hazardous Duty	3.4%	14.3%	Wildlife	3.4%	14.3%
<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>																	
Regular	3.8%	12.8%																	
Judges	2.8%	5.3%																	
Corrections	3.4%	14.3%																	
Hazardous Duty	3.4%	14.3%																	
Wildlife	3.4%	14.3%																	
<b>Cost of Living Adjustments</b>	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																		

\*The investment rate of return used in the actuarial valuation for funding purposes was 8.05%, recognizing an additional 40 basis points for gain-sharing and 15 basis points to offset administrative expenses. The net return available to fund regular plan benefits is 7.83%, which is reasonably close to the the 7.65% discount rate. Therefore we conclude that 7.65% discount is reasonable.

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

**NOTE L: PENSION PLAN, continued**

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

The following presents the City and City Court's proportionate share of the net pension liability (NPL) using the discount rate of 7.70% for LASERS as well as the City and City Court's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by LASERS:

	Primary Government		
	1.0% Decrease	Current	1.0% Increase
	6.65%	Discount Rate 7.65%	8.65%
Net Pension Liability	\$ 38,560	\$ 30,553	\$ 23,657

  

	Component Unit		
	1.0% Decrease	Current	1.0% Increase
	6.65%	Discount Rate 7.65%	8.65%
Net Pension Liability	\$ 395,243	\$ 313,171	\$ 242,487

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

At June 30, 2019, the City reported a total liability of \$12,206,112 for its governmental activities and \$3,372,668 for its business-type activities for its proportionate share of the net pension liability and the City Court reported a total liability of \$313,171 for its proportionate share of the net pension liability.

For the year ended June 30, 2019, the City recognized total pension expense of \$1,885,058 for its governmental activities and \$591,942 for its business activities less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, (\$6,980) for its governmental activities and (\$4,667) for its business-type activities. The City Court recognized total pension expense of \$25,572, plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$14,857.

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

**NOTE L: PENSION PLAN, continued**

At June 30, 2019, the city reported total deferred outflows of resources and total deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Component Unit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,517	\$ (686,929)	\$ -	\$ (119,914)	\$ -	\$ (3,513)
Changes of assumptions	737,247	(620)	101,525	-	3,187	-
Net difference between projected and actual earnings on pension plan investments	878,040	-	516,841	-	4,061	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	630,944	(223,818)	132,260	(2,177)	85,747	(39,667)
Employer contributions subsequent to the measurement date	<u>1,410,202</u>	<u>-</u>	<u>404,471</u>	<u>-</u>	<u>32,493</u>	<u>-</u>
Total	<u>\$ 3,683,950</u>	<u>\$ (911,367)</u>	<u>\$ 1,155,097</u>	<u>\$ (122,091)</u>	<u>\$ 125,488</u>	<u>\$ (43,180)</u>

**NOTE M: OTHER POST-EMPLOYMENT BENEFITS**

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

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

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

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

**NOTE M: OTHER POST-EMPLOYMENT BENEFITS**, continued

**Employees covered by benefit terms** – At June 30, 2019, the following employees were covered by the benefit terms:

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

**Total OPEB Liability**

The City's total OPEB liability of \$17,166,238 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and other inputs* - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%, including inflation
Discount rate	3.87% annually (Beginning of Year to Determine ADC)
	3.50% annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of June 30, 2019, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of ongoing evaluations of the assumptions from July 1, 2009 to June 30, 2019.

**Changes in Total OPEB Liability**

Balance at June 30, 2018	<u>\$ 15,379,992</u>
Changes for the year:	
Service cost	414,299
Interest	586,409
Differences between expected and actual experience	199,658
Changes of assumptions	1,040,510
Benefit payments and net transfers	<u>(454,631)</u>
Net changes	<u>1,786,245</u>
Balance at June 30, 2019	<u><u>17,166,237</u></u>

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

**NOTE M: OTHER POST-EMPLOYMENT BENEFITS, continued**

*Sensitivity of the total OPEB liability to changes in the discount rate* – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	1.0% Decrease 2.50%	Current Discount Rate 3.50%	1.0% Increase 4.50%
Total OPEB Liability	\$ 20,531,617	\$ 17,166,237	\$ 14,559,082

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

	1.0% Decrease 4.5%	Current Healthcare Cost Trend Rate 5.5%	1.0% Increase 6.5%
Total OPEB Liability	\$ 14,507,342	\$ 17,166,237	\$ 20,562,354

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,060,732. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 171,135	\$ -
Assumption changes	891,866	-
Total	\$ 1,063,001	\$ -

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

Year Ended June 30:	
2020	\$ 60,024
2021	60,024
2022	60,024
2023	60,024
2024	60,024
Thereafter	60,024

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

**NOTE N: OPERATING TRANSFERS**

Operating transfers in and out are listed by fund for the fiscal year ended June 30, 2019 as follows:

	Operating Transfers	
	In	Out
General Fund:	\$ 75,000	\$ -
Debt Service Fund	76,976	-
Special Revenue Fund	-	76,976
Component Unit - City Court:	-	75,000
	\$ 151,976	\$ 151,976
Totals	\$ 151,976	\$ 151,976

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

**NOTE O: RELATED PARTY TRANSACTIONS**

The City of Zachary incurs expenditures on behalf of the City Court of Zachary. These expenditures include compensation to City Court personnel along with the related pension cost and employee benefits. During the year ended June 30, 2019, the City paid \$493,355 on behalf of City Court.

City Court makes distributions to the City of Zachary for collection of various fees and fines. In addition, City Court makes an annual payment to the general fund of the City. During the year ended June 30, 2019, City Court paid \$75,000 to the City of Zachary.

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

For the year ended June 30, 2019, the major sources of governmental fund revenues were as follows:

Local Government:	
Statutory fines, forfeitures, fees, court costs, and other	<u>\$ 622,977</u>

**NOTE Q: LITIGATION, CLAIMS AND JUDGEMENTS, SPECIAL ITEM**

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

The City is involved in an adverse suit with the Zachary Housing Partners. The Zachary Housing Partners were alleged wrongful denial of building permits for apartment complex on McHugh Road. An adverse result was received from the 19<sup>th</sup> JDC. A Summary hearing was appealed to the 1st Circuit which upheld decision of the Trial Court. This was affirmed by the 1<sup>st</sup>

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

**NOTE Q: LITIGATION, CLAIMS AND JUDGEMENTS**, continued

Circuit and Writ denied by the Supreme Court of Louisiana. The matter was settled on October 15, 2015 by compromise between the parties calling for annual status reports to the court following annual payments to plaintiffs by the City. The compromise is a structured payout of \$2,650,000 over the six years. On 11-18-2016, \$1,100,000 and \$600,000 respectively was paid to the Zachary Housing Partners and \$275,000 was paid on 11-18-2017 and on 11/18/2018.

In June 2019, the compromise between the parties was amended. As a result, the payout was reduced by \$300,000. Due to the significant forgiveness of debt, this is considered a special item. The remaining payment schedule is as follows:

11-18-2019	100,000
------------	---------

**NOTE R: DEFICIT FUND BALANCE**

The Sales Tax Fund had a deficit fund balance at June 30, 2019 of \$(2,138,790). This deficit will be eliminated by the transfer of funds from the General Fund to the Sales Tax Fund.

**NOTE S: COOPERATIVE ENDEAVOR AGREEMENTS**

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

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

**NOTE T: NEW ACCOUNTING PRONOUNCEMENTS NOT YET IMPLEMENTED**

The following GASB pronouncements, Leases Statements No. 87 effective for periods beginning after December 15, 2019 and Interest Costs No. 89 effective for periods beginning after December 15, 2019, have not yet been implemented.

**NOTE U: SUBSEQUENT EVENTS**

These financial statements considered subsequent events through December 16, 2019 the date the financial statements were available to be issued. There were no events occurring after this date that are included in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF ZACHARY, LOUISIANA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 9,343,000	\$ 9,628,000	\$ 10,298,415	\$ 670,415
License and permits	619,500	599,500	608,772	9,272
Intergovernmental	898,010	1,036,010	1,020,344	(15,666)
Charges for services	1,320,000	2,161,350	2,000,043	(161,307)
Commissions	1,340,000	1,265,000	1,445,540	180,540
Fines and forfeits	170,000	150,000	164,835	14,835
Proceeds from loan	-	-	-	-
Miscellaneous	357,750	472,400	471,757	(643)
<b>TOTAL REVENUES</b>	<b>14,048,260</b>	<b>15,312,260</b>	<b>16,009,706</b>	<b>697,446</b>
<b>EXPENDITURES</b>				
General Government	3,403,800	4,429,600	4,142,176	287,424
Court	508,400	504,600	493,355	11,245
Public Safety -				
Police	4,102,750	4,405,250	4,427,466	(22,216)
Fire	3,502,500	3,750,000	3,634,937	115,063
Streets	964,000	1,170,250	1,009,985	160,265
Sanitation	1,460,000	1,475,000	1,469,457	5,543
<b>TOTAL EXPENDITURES</b>	<b>13,941,450</b>	<b>15,734,700</b>	<b>15,177,376</b>	<b>557,324</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>106,810</b>	<b>(422,440)</b>	<b>832,330</b>	<b>1,254,770</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from city court	60,000	60,000	75,000	15,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>60,000</b>	<b>60,000</b>	<b>75,000</b>	<b>15,000</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>166,810</b>	<b>(362,440)</b>	<b>907,330</b>	<b>1,269,770</b>
<b>FUND BALANCES - BEGINNING</b>	<b>11,460,659</b>	<b>11,460,659</b>	<b>11,460,659</b>	<b>-</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 11,627,469</b>	<b>\$ (362,440)</b>	<b>\$ 12,367,989</b>	<b>\$ 12,730,429</b>

CITY OF ZACHARY, LOUISIANA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
 SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Intergovernmental income	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Miscellaneous	2,000	-	15,279	15,279
<b>TOTAL REVENUES</b>	<b>502,000</b>	<b>500,000</b>	<b>515,279</b>	<b>15,279</b>
<b>EXPENDITURES</b>				
Sales tax collection fee	15,000	24,000	-	24,000
Interest expense		345,000	-	345,000
Operating expense - supplies	50,000	50,000	36,681	13,319
Capital outlay - streets	500,000	-	97,538	(97,538)
<b>TOTAL EXPENDITURES</b>	<b>565,000</b>	<b>419,000</b>	<b>134,219</b>	<b>284,781</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(63,000)</b>	<b>81,000</b>	<b>381,060</b>	<b>300,060</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	-	-	-
Transfers from (to) other funds	-	-	(76,976)	(76,976)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(76,976)</b>	<b>(76,976)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(63,000)</b>	<b>81,000</b>	<b>304,084</b>	<b>223,084</b>
<b>FUND BALANCES - BEGINNING</b>	<b>(2,442,874)</b>	<b>(2,442,874)</b>	<b>(2,442,874)</b>	<b>-</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ (2,505,874)</b>	<b>\$ (2,361,874)</b>	<b>\$ (2,138,790)</b>	<b>\$ 223,084</b>

CITY OF ZACHARY, LOUISIANA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	Public Street Bonds
<b>REVENUES</b>	
Taxes - sales tax	\$ 2,238,338
<b>TOTAL REVENUES</b>	<b>2,238,338</b>
<b>EXPENDITURES</b>	
Principal	575,000
Interest expense	344,813
Collection fee and other	21,370
<b>TOTAL EXPENDITURES</b>	<b>941,183</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,297,155</b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers from (to) other funds	76,976
	<b>76,976</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>1,374,131</b>
<b>FUND BALANCES - BEGINNING</b>	<b>2,265,656</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 3,639,787</b>

**CITY OF ZACHARY, LOUISIANA**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2018</u>	<u>2019</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 383,638	\$ 414,299
Interest	556,277	586,409
Changes of benefit terms	-	-
Differences between expected and actual experience	(127,899)	199,658
Changes of assumptions	(809,244)	1,040,510
Benefit payments	(322,470)	(454,631)
<b>Net change in total OPEB liability</b>	<u>(319,698)</u>	<u>1,786,245</u>
<b>Total OPEB liability - beginning</b>	<u>15,699,690</u>	<u>15,379,992</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 15,379,992</u></u>	<u><u>\$ 17,166,237</u></u>
Covered-employee payroll	\$ 5,022,934	\$ 5,405,054
Net OPEB liability as a percentage of covered-employee payroll	306.20%	317.60%
<b>Notes to Schedule:</b>		
<i>Benefit Changes:</i>	None	None
<i>Changes of Assumptions:</i>	None	None
<i>Discount Rate:</i>	3.87%	3.50%

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

CITY OF ZACHARY, LOUISIANA  
 SCHEDULE OF CITY OF ZACHARY, LOUISIANA'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 FOR THE YEAR ENDED JUNE 30, 2019

Retirement System	Year Ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Municipal Employees' Retirement System	2019	1.3353%	\$ 5,528,964	\$ 2,550,260	216.8000%	63.90%
	2018	1.2451%	\$ 5,206,657	\$ 2,437,841	213.6586%	62.49%
	2017	1.2331%	\$ 5,054,247	\$ 2,246,563	224.9769%	62.11%
	2016	1.2423%	\$ 4,437,759	\$ 2,160,019	205.4500%	66.20%
	2015	1.2238%	\$ 3,140,791	\$ 2,120,342	148.1266%	73.99%
Municipal Police Employees' Retirement System	2019	0.7220%	\$ 6,104,077	\$ 2,153,493	283.4501%	71.89%
	2018	0.7011%	\$ 6,120,804	\$ 2,098,770	291.6377%	70.08%
	2017	0.7366%	\$ 6,903,802	\$ 2,091,846	330.0340%	66.04%
	2016	0.7759%	\$ 6,078,091	\$ 1,848,252	328.8562%	70.70%
	2015	0.8167%	\$ 5,109,617	\$ 2,075,384	246.2010%	75.10%
Firefighters' Retirement System	2019	0.6807%	\$ 3,915,186	\$ 1,703,819	229.7888%	74.76%
	2018	0.6379%	\$ 3,656,220	\$ 1,610,824	226.9782%	73.55%
	2017	0.6221%	\$ 4,069,297	\$ 1,489,360	273.2245%	68.16%
	2016	0.6028%	\$ 3,253,458	\$ 1,402,765	231.9318%	72.45%
	2015	0.5682%	\$ 2,528,496	\$ 1,281,096	197.3698%	76.02%
Louisiana State Employees' Retirement System - General Government	2019	0.0005%	\$ 30,553	\$ 8,882	343.9878%	64.30%
	2018	0.0005%	\$ 32,731	\$ 8,882	366.5093%	62.50%
	2017	0.0005%	\$ 39,341	\$ 8,825	445.7904%	57.70%
	2016	0.0005%	\$ 32,579	\$ 8,882	366.7980%	62.70%
	2015	0.0005%	\$ 30,889	\$ 8,882	347.7708%	65.00%
Louisiana State Employees' Retirement System - Zachary City Court	2019	0.0048%	\$ 313,171	\$ 81,029	386.4925%	64.30%
	2018	0.0039%	\$ 271,699	\$ 81,828	332.0367%	62.50%
	2017	0.0033%	\$ 259,370	\$ 68,023	381.2975%	57.70%
	2016	0.0040%	\$ 274,189	\$ 78,181	350.6849%	62.70%
	2015	0.0037%	\$ 241,299	\$ 80,914	298.2166%	65.00%

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

CITY OF ZACHARY, LOUISIANA  
 SCHEDULE OF CITY OF ZACHARY, LOUISIANA'S CONTRIBUTIONS  
 FOR THE YEAR ENDED JUNE 30, 2019

Retirement System	Year Ended June 30,	Contractually Required Contribution	Contributions In Relation to Contractual Required Contributions	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
Municipal Employees' Retirement System	2019	\$ 663,067	\$ 663,067	\$ -	\$ 2,550,260	26.0000%
	2018	\$ 603,366	\$ 603,366	\$ -	\$ 2,437,841	24.7500%
	2017	\$ 511,093	\$ 511,093	\$ -	\$ 2,246,563	22.7500%
	2016	\$ 425,782	\$ 425,782	\$ -	\$ 2,160,019	19.7120%
	2015	\$ 418,766	\$ 418,766	\$ -	\$ 2,120,342	19.7499%
Municipal Police Employees' Retirement System	2019	\$ 694,502	\$ 694,502	\$ -	\$ 2,153,493	32.2500%
	2018	\$ 648,078	\$ 648,078	\$ -	\$ 2,098,770	30.8789%
	2017	\$ 664,519	\$ 664,519	\$ -	\$ 2,091,846	31.7671%
	2016	\$ 610,522	\$ 610,522	\$ -	\$ 1,848,252	33.0324%
	2015	\$ 653,745	\$ 653,745	\$ -	\$ 2,075,384	31.5000%
Firefighters' Retirement System	2019	\$ 453,542	\$ 453,542	\$ -	\$ 1,703,819	26.6191%
	2018	\$ 428,919	\$ 428,919	\$ -	\$ 1,610,824	26.6273%
	2017	\$ 376,064	\$ 376,064	\$ -	\$ 1,489,360	25.2500%
	2016	\$ 382,254	\$ 382,254	\$ -	\$ 1,402,765	27.2500%
	2015	\$ 374,721	\$ 374,721	\$ -	\$ 1,281,096	29.2500%
Louisiana State Employees' Retirement System - General Government	2019	\$ 3,562	\$ 3,562	\$ -	\$ 8,882	40.1036%
	2018	\$ 3,561	\$ 3,561	\$ -	\$ 8,882	40.0923%
	2017	\$ 3,353	\$ 3,353	\$ -	\$ 8,825	37.9943%
	2016	\$ 3,384	\$ 3,384	\$ -	\$ 8,882	38.0995%
	2015	\$ 3,686	\$ 3,686	\$ -	\$ 8,852	41.4997%
Louisiana State Employees' Retirement System - Zachary City Court	2019	\$ 32,493	\$ 32,493	\$ -	\$ 81,029	40.1005%
	2018	\$ 32,813	\$ 32,813	\$ -	\$ 81,828	40.1000%
	2017	\$ 25,849	\$ 25,849	\$ -	\$ 68,023	38.0004%
	2016	\$ 29,999	\$ 29,999	\$ -	\$ 78,181	38.3712%
	2015	\$ 33,368	\$ 33,368	\$ -	\$ 80,914	41.2388%

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

**SUPPLEMENTARY INFORMATION**

**NON-MAJOR DEBT SERVICE FUNDS**

CITY OF ZACHARY, LOUISIANA  
 BALANCE SHEET  
 DEBT SERVICE FUND- NON MAJOR FUND  
 JUNE 30, 2019

	Hotel Tax
<b>ASSETS</b>	
Cash and cash equivalents	\$ 719,513
Sales tax receivable	36,807
Other receivables	-
Prepaid expenses	-
Due from other funds	668,570
<b>TOTAL ASSETS</b>	<b>\$ 1,424,890</b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities:</b>	
Accounts payable	\$ -
Other payables	-
<b>Total liabilities</b>	-
<b>Fund balance:</b>	
Nonspendable	-
Restricted	1,424,890
Committed	-
Assigned	-
<b>Total fund balance</b>	<b>1,424,890</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,424,890</b>

CITY OF ZACHARY, LOUISIANA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 DEBT SERVICE FUND- NON MAJOR FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	Hotel Tax
<b>REVENUES</b>	
Taxes - sales tax	\$ 209,448
Other income	152
<b>TOTAL REVENUES</b>	<b>209,600</b>
 <b>EXPENDITURES</b>	
Principal	180,000
Interest expense	31,850
Collection fee and other	2,158
<b>TOTAL EXPENDITURES</b>	<b>214,008</b>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,408)</b>
 <b>OTHER FINANCING SOURCES (USES)</b>	
Bond Proceeds	-
 <b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(4,408)</b>
 <b>FUND BALANCES - BEGINNING</b>	<b>1,429,298</b>
 <b>FUND BALANCES - ENDING</b>	<b>\$ 1,424,890</b>

**CITY OF ZACHARY, LOUISIANA**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**SCHEDULE 3**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Taxes:</b>			
Ad valorem - industry	\$ 75,900	\$ 75,938	\$ 38
Ad valorem - other	894,150	828,005	(66,145)
Hotel tax	54,200	114,665	60,465
Beer tax	15,500	15,512	12
Sales tax	8,450,000	9,126,019	676,019
Americana sales tax	138,250	138,276	26
<b>Total taxes</b>	<b>9,628,000</b>	<b>10,298,415</b>	<b>670,415</b>
<b>Licenses and permits:</b>			
Occupational licenses	350,000	358,963	8,963
Building permits	104,400	104,498	98
Electrical contractor license	9,850	9,875	25
Electrical permits	33,950	33,986	36
Other contractor license	11,550	24,615	13,065
Other permits	89,750	76,835	(12,915)
<b>Total licenses and permits</b>	<b>599,500</b>	<b>608,772</b>	<b>9,272</b>
<b>Intergovernmental:</b>			
911 operations	153,300	291,191	137,891
City - parish street maintenance	69,400	69,445	45
Grant - police department	-	-	-
Grant - other	145,560	106,577	(38,983)
Transportation fund	-	-	-
Fire District #1	553,100	553,131	31
Grant - fire department	-	-	-
Visit Baton Rouge	114,650	-	(114,650)
<b>Total intergovernmental</b>	<b>1,036,010</b>	<b>1,020,344</b>	<b>(15,666)</b>
<b>Charges for services:</b>			
Park revenue	221,850	221,868	18
Inspection fees	35,950	35,983	33
Public works fees	41,800	41,819	19
Refuse collection charges	1,848,500	1,687,080	(161,420)
Refuse billing fees	13,250	13,293	43
<b>Total charges for services</b>	<b>2,161,350</b>	<b>2,000,043</b>	<b>(161,307)</b>
<b>Commissions:</b>			
Cable franchise fee	205,000	255,839	50,839
Sale of electricity	767,100	822,977	55,877
Sale of insurance	292,900	366,724	73,824
<b>Total commissions</b>	<b>1,265,000</b>	<b>1,445,540</b>	<b>180,540</b>
<b>Fines and forfeits</b>	<b>150,000</b>	<b>164,835</b>	<b>14,835</b>

CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>Miscellaneous:</b>			
Interest income	150	156	6
Marshal's fund	70,000	46,194	(23,806)
Sale of equipment	17,900	18,111	211
Park revenue	9,300	5,215	(4,085)
Rental income	1,200	1,200	-
Fire	7,200	7,237	37
Police	263,300	263,347	47
All other	103,350	130,297	26,947
<b>Total miscellaneous</b>	<b>472,400</b>	<b>471,757</b>	<b>(643)</b>

**GENERAL GOVERNMENT:**

**Finance:**

Salaries - administrative	493,800	493,613	187
Sales tax collection fee	87,550	86,974	576
Office expense	20,700	20,677	23
Electricity	10,950	10,940	10
Supplies and maintenance	66,850	66,824	26
Insurance	456,000	394,032	61,968
Payroll taxes:			
- Medicare	7,100	7,100	-
- F.I.C.A. and unemployment tax	1,400	1,361	39
Worker's compensation insurance	100	85	15
Capital outlays	93,500	93,461	39
Hurricane clean up	-	-	-
Telephone	27,950	27,944	6
Uniforms	700	658	42
Contract services	118,850	118,826	24
Computer expense	129,350	129,348	2
Phone allowance	1,050	1,040	10
Assessment roll fee	7,100	7,075	25
Official journal	27,200	27,199	1
Dues, donations, and subscriptions	12,750	12,727	23
Miscellaneous	70,050	58,238	11,812
Election expense	3,100	3,081	19
Travel	4,600	4,585	15
Schools and seminars	2,250	2,220	30
Retirement	111,600	111,565	35
Drug testing	17,150	17,145	5
Audit	28,000	28,000	-
Legal fees	300,000	304,247	(4,247)
Insurance consultant	5,800	5,800	-
Bank fees	4,350	-	4,350
Coke machine	-	-	-

CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Health insurance	29,400	29,363	37
<b>Total</b>	<b>2,139,200</b>	<b>2,064,128</b>	<b>75,072</b>
<b>Beautification:</b>			
Salary	139,450	139,356	94
FICA and medicare	2,450	2,375	75
Health insurance	19,500	19,500	-
Worker's compensation insurance	900	879	21
Miscellaneous	58,550	58,539	11
Vehicle expense	1,600	1,569	31
Uniforms	150	114	36
Equipment maintenance	5,150	5,121	29
Beautification retirement	35,350	35,318	32
Beautification supplies	12,250	12,221	29
<b>Total</b>	<b>275,350</b>	<b>274,992</b>	<b>358</b>
<b>Public Relations:</b>			
Animal control fees	63,750	63,730	20
Mayor's prayer breakfast	4,700	4,657	43
Community center	10,350	10,347	3
Economic development	51,500	51,499	1
Open House	32,550	32,522	28
Senior citizen center	28,850	28,839	11
Public Relations expense	2,300	2,253	47
Food pantry	7,700	7,655	45
<b>Total</b>	<b>201,700</b>	<b>201,502</b>	<b>198</b>
<b>Mayor:</b>			
Mayor's salary	97,950	97,912	38
Employee salary	52,000	52,000	-
FICA and medicare	2,100	2,078	22
Telephone	3,450	3,419	31
Vehicle expenses	1,150	1,143	7
Vehicle maintenance	600	565	35
Miscellaneous	6,400	6,266	134
Retirement	40,500	40,476	24
LMA convention	-	-	-
Travel	650	618	32
Health insurance	20,900	20,887	13
Worker's compensation insurance	200	191	9
<b>Total</b>	<b>225,900</b>	<b>225,555</b>	<b>345</b>
<b>Commissions and Boards:</b>			
Salaries	100,400	100,340	60
FICA and medicare	1,800	1,712	88
Worker's compensation insurance	250	213	37

CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Retirement	23,900	23,860	40
Health insurance	13,900	13,897	3
Legal	9,700	9,675	25
Supplies	12,700	12,660	40
Travel	4,300	4,233	67
Contract services	128,300	128,253	47
<b>Total</b>	<b>295,250</b>	<b>294,843</b>	<b>407</b>
<b>Council:</b>			
Salary	19,000	19,000	-
Miscellaneous	14,100	14,008	92
Council's salary	57,000	56,951	49
FICA and medicare	5,100	5,046	54
Travel	350	337	13
LMA convention	1,950	1,925	25
Health insurance	23,100	23,080	20
Worker's compensation insurance	100	55	45
<b>Total</b>	<b>120,700</b>	<b>120,402</b>	<b>298</b>
<b>Recreation:</b>			
General recreation expenses	79,900	70,215	9,685
Office supplies	2,450	2,407	43
Salaries	203,050	175,265	27,785
FICA and medicare	3,300	3,240	60
Health insurance	18,650	18,635	15
Worker's compensation insurance	600	599	1
Computer expense	500	499	1
Travel	600	536	64
Vehicle repairs and maintenance	4,800	4,727	73
Equipment maintenance	2,450	2,420	30
Retirement	42,500	42,473	27
Telephone	4,000	3,992	8
Utilities	19,900	19,878	22
Professional services Legal	150	143	7
Capital outlays	300,000	206,618	93,382
Ground maintenance and building maintenance	45,000	4,428	40,572
Contract services	20,000	14,739	5,261
Supplies	7,500	746	6,754
Phone allowance	1,000	960	40
Seminar	200	170	30
Uniforms	-	-	-
Miscellaneous	12,700	12,698	2
<b>Total</b>	<b>769,250</b>	<b>585,388</b>	<b>183,862</b>
<b>Inspection:</b>			
Office	2,000	1,879	121

CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Salary	167,650	165,517	2,133
FICA and medicare	3,450	3,380	70
Retirement	40,500	39,890	610
Health insurance	53,950	53,929	21
Worker's compensation insurance	300	290	10
Vehicle fuel	1,200	1,176	24
Vehicle maintenance	150	101	49
Uniforms	-	-	-
Contracts/services	100	64	36
Telephone	3,000	1,279	1,721
Travel	850	328	522
Building repairs	400	378	22
Training/seminar	-	-	-
Miscellaneous	3,200	3,185	15
<b>Total</b>	<b>276,750</b>	<b>271,396</b>	<b>5,354</b>
<b>Historical village:</b>			
Salary	44,200	44,160	40
FICA and medicare	3,400	3,378	22
Worker's compensation insurance	50	18	32
Utilities	15,500	15,459	41
Miscellaneous	13,350	13,315	35
Repairs and maintenance	39,950	24,602	15,348
Capital outlay	6,000	-	6,000
Telephone	2,550	2,547	3
Office	500	491	9
<b>Total</b>	<b>125,500</b>	<b>103,970</b>	<b>21,530</b>
<b>Total General Government</b>	<b>4,429,600</b>	<b>4,142,176</b>	<b>287,424</b>
<b>COURT:</b>			
<b>Clerk of Court:</b>			
Court salaries	205,400	194,921	10,479
FICA and medicare	5,350	5,293	57
Worker's compensation insurance	50	40	10
Court retirement	38,950	38,938	12
Health insurance	32,800	32,753	47
Miscellaneous	27,300	27,291	9
<b>Total</b>	<b>309,850</b>	<b>299,236</b>	<b>10,614</b>
<b>Judge:</b>			
Judge's salary	8,900	8,882	18
Medicare	100	61	39
Worker's compensation insurance	50	9	41
Retirement	1,450	1,446	4

CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Health Insurance	13,250	13,245	5
<b>Total</b>	<b>23,750</b>	<b>23,643</b>	<b>107</b>
<b>Probation:</b>			
Salary	14,000	13,955	45
FICA and medicare	200	199	1
Worker's compensation insurance	50	9	41
Health insurance	3,900	3,861	39
<b>Total</b>	<b>18,150</b>	<b>18,024</b>	<b>126</b>
<b>Prosecutor:</b>			
Prosecutor salary	90,950	90,904	46
FICA and medicare	4,150	4,102	48
Worker's compensation insurance	50	27	23
Health insurance	19,150	19,114	36
Retirement	11,350	11,309	41
Miscellaneous	8,500	8,392	108
<b>Total</b>	<b>134,150</b>	<b>133,848</b>	<b>302</b>
<b>Marshall:</b>			
Salary	17,200	17,179	21
FICA and medicare	1,350	1,314	36
Worker's compensation insurance	150	111	39
<b>Total</b>	<b>18,700</b>	<b>18,604</b>	<b>96</b>
<b>Total Court</b>	<b>504,600</b>	<b>493,355</b>	<b>11,245</b>
<b>PUBLIC SAFETY - POLICE:</b>			
Salaries - police officers	2,362,500	2,362,362	138
Office expense	10,200	10,151	49
Chief's expense	3,400	3,374	26
Electricity	9,250	9,214	36
Vehicle expense	100,150	100,007	143
Supplies and maintenance	52,550	52,585	(35)
Uniforms	31,950	31,936	14
Telephone	64,750	64,732	18
Clothing allowance	3,400	3,380	20
Phone allowance	6,500	6,460	40
Reserve deputies	7,850	7,827	23
Miscellaneous	46,050	45,977	73
New hire test	5,600	5,552	48
Fica and Medicare	39,400	39,322	78
Retirement	698,750	698,726	24
Health insurance	428,250	428,211	39
Worker's compensation insurance	5,400	5,391	9
Contracts and services	34,200	34,167	33

**CITY OF ZACHARY, LOUISIANA**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**SCHEDULE 3**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Dues and subscriptions	2,800	2,795	5
D.A.R.E.	900	884	16
Computer expense	35,300	35,297	3
Travel and seminar	39,450	39,381	69
Professional services legal	118,450	106,117	12,333
Capital outlays	298,200	333,618	(35,418)
	<hr/>	<hr/>	<hr/>
<b>Total public safety - police</b>	<b>4,405,250</b>	<b>4,427,466</b>	<b>(22,216)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>PUBLIC SAFETY - FIRE:</b>			
Salaries	2,351,200	2,236,947	114,253
Building repairs	16,100	16,059	41
Office expense	9,500	9,493	7
Electricity	34,350	34,324	26
Vehicle expense	125,950	125,868	82
Supplies and maintenance	52,400	52,379	21
Dues and subscriptions	150	126	24
Uniforms	17,200	17,191	9
Protective gear	17,050	17,018	32
Telephone	16,550	16,548	2
Phone allowance	3,050	3,040	10
Miscellaneous	23,550	21,232	2,318
Retirement	454,200	454,188	12
Health insurance	316,350	316,307	43
Volunteer fireman	13,750	13,730	20
Computer expense	31,700	31,655	45
Contracts and services	15,450	17,562	(2,112)
Professional services legal	29,900	29,890	10
Training	30,650	30,627	23
Physicals	13,050	13,016	34
Communication contract	25,350	25,335	15
Fica and medicare	39,700	39,658	42
Worker's compensation insurance	8,150	8,112	38
Capital outlay	97,050	97,006	44
Fire prevention	7,650	7,626	24
	<hr/>	<hr/>	<hr/>
<b>Total public safety - fire</b>	<b>3,750,000</b>	<b>3,634,937</b>	<b>115,063</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>STREETS:</b>			
Salaries	340,300	309,617	30,683
Office expense	1,650	1,612	38
Electricity	175,000	163,009	11,991
Vehicle expense	25,350	18,189	7,161
Supplies and maintenance	150,600	120,100	30,500
D.C.I. Expense	60,900	60,873	27

CITY OF ZACHARY, LOUISIANA  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

SCHEDULE 3

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Grass cutting contract	69,750	69,732	18
Telephone	8,250	8,225	25
Fica and medicare	4,250	4,237	13
Miscellaneous	8,200	8,156	44
Uniforms	1,300	1,259	41
Retirement	67,600	67,582	18
Health insurance	33,150	33,138	12
Worker's compensation insurance	1,150	1,149	1
Contracts and services	6,800	6,755	45
Capital outlay	216,000	136,352	79,648
Travel, schools and seminars			-
<b>Total streets</b>	<b>1,170,250</b>	<b>1,009,985</b>	<b>160,265</b>
<b>Sanitation:</b>			
Landfill charges	5,900	5,886	14
Contracts and services	1,469,100	1,463,571	5,529
<b>Total sanitation</b>	<b>1,475,000</b>	<b>1,469,457</b>	<b>5,543</b>
<b>Total General Fund</b>	<b>\$ 15,734,700</b>	<b>\$ 15,177,376</b>	<b>\$ 557,324</b>

CITY OF ZACHARY, LOUISIANA  
 SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT  
 ENTERPRISE FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Actual</u>
<b>Water department:</b>	
Salaries	\$ 179,020
FICA and Medicare	3,020
Worker's compensation insurance	586
Electricity	113,452
Equipment maintenance	15,152
Vehicle maintenance	15,762
Vehicle fuel	19,944
Repairs and maintenance	238,265
Telephone	10,295
Retirement	66,915
Uniforms	2,970
Health insurance	50,614
Schools and seminars	1,515
Water tower maintenance	25,392
Miscellaneous	24,934
Contracts/services	506,688
<b>Total water department</b>	<b><u>1,274,524</u></b>
<b>Gas department:</b>	
Salaries	\$ 172,449
FICA and Medicare	2,919
Worker's compensation insurance	567
Electricity	42,836
Vehicle fuel	15,863
Vehicle equipment maintenance	9,977
Equipment maintenance	10,792
Repairs and maintenance	130,715
Purchase of gas	939,860
Telephone	7,303
Miscellaneous	9,518
Retirement	66,880
Uniforms	2,825
Health insurance	50,427
Schools and seminars	14,620
Contracts/services	160,915
<b>Total gas department</b>	<b><u>1,638,466</u></b>
<b>Sewer department:</b>	
Salaries	\$ 152,189
FICA and Medicare	2,633
Worker's compensation insurance	536
Electricity	45,293
Equipment maintenance	7,011

CITY OF ZACHARY, LOUISIANA  
 SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT  
 ENTERPRISE FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Actual</u>
Vehicle maintenance	9,021
Vehicle fuel	19,814
Repairs and maintenance	216,666
Telephone	7,399
Uniforms	2,578
Miscellaneous	17,998
Retirement	66,879
Health insurance	47,190
Contracts/services	279,757
Schools and seminars	1,085
<b>Total sewer department</b>	<b><u>876,049</u></b>
<b>Meters:</b>	
Salaries	\$ 40,627
FICA and Medicare	396
Worker's compensation insurance	141
Vehicle equipment maintenance	6,864
Supplies	281
Telephone	170
Miscellaneous	327,133
Retirement	17,636
Uniforms	130
Health insurance	10,504
Contracts/services	99,053
<b>Total gas department</b>	<b><u>502,935</u></b>
<b>Warehouse</b>	
Salaries	\$ 129,840
FICA and Medicare	2,380
Worker's compensation insurance	388
Electricity	6,735
Building maintenance	21,566
Vehicle maintenance	1,292
Vehicle fuel	900
Supplies	3,540
Telephone	4,264
Miscellaneous	2,916
Retirement	44,111
Health insurance	13,802
<b>Total warehouse</b>	<b><u>231,734</u></b>

CITY OF ZACHARY, LOUISIANA  
 SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT  
 ENTERPRISE FUND  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Actual</u>
<b>Cashiers/Billing:</b>	
Salaries	\$ 176,909
FICA and Medicare	2,770
Worker's compensation insurance	58
Miscellaneous	7,524
Retirement	76,583
Health insurance	22,716
<b>Total cashier/billing</b>	<u><u>286,560</u></u>
 <b>General and administrative:</b>	
Salaries	\$ 277,700
FICA and Medicare	3,998
Worker's compensation insurance	218
Insurance	194,481
Retirement	118,248
Printing	80,348
Supplies	11,842
Bank fees	-
Computer expense	56,893
Professional services	57,187
Maintenance and services	257,597
Building maintenance	87,698
Miscellaneous	104,046
<b>Total general and administrative</b>	<u><u>1,250,256</u></u>
 <b>Depreciation</b>	<u><u>\$ 1,869,797</u></u>
 <b>Grand total</b>	<u><u>\$ 7,930,321</u></u>

COMPONENT UNIT –  
CITY COURT

CITY OF ZACHARY, LOUISIANA  
 GOVERNMENTAL FUND BALANCE SHEET/  
 STATEMENT OF NET POSITION - COMPONENT UNIT  
 CITY COURT  
 JUNE 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 159,713	\$ -	\$ 159,713
Capital assets, net of accumulated depreciation of \$362,342	-	26,034	26,034
<b>Total Assets</b>	<u>159,713</u>	<u>26,034</u>	<u>185,747</u>
<b><u>DEFERRED OUTFLOWS</u></b>	-	125,488	125,488
<b><u>LIABILITIES</u></b>	-	313,171	313,171
<b><u>DEFERRED INFLOWS</u></b>	-	43,180	43,180
<b><u>FUND BALANCE</u></b>			
Unassigned	<u>159,713</u>	<u>(159,713)</u>	<u>-</u>
<b>Total Fund Balance</b>	<u>159,713</u>	<u>(159,713)</u>	<u>-</u>
<b><u>NET POSITION</u></b>			
Net invested in capital assets	-	-	26,034
Unrestricted	-	-	(71,150)
<b>Total Net Position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (45,116)</u>

CITY OF ZACHARY, LOUISIANA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES/STATEMENT OF ACTIVITIES - COMPONENT UNIT  
CITY COURT  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b><u>EXPENDITURES/EXPENSES</u></b>			
Judiciary:			
Personal services and benefits	\$ 129,832	\$ 7,936	\$ 137,768
Travel and professional development	9,924	-	9,924
Operating services	221,945	-	221,945
Supplies	43,884	-	43,884
Intergovernmental (to City of Zachary)	206,170	-	206,170
Capital outlay	8,655	(8,655)	-
Depreciation	-	20,415	20,415
Total Expenditures/Expenses	<u>620,410</u>	<u>19,696</u>	<u>640,106</u>
<b><u>PROGRAMS REVENUES AND COLLECTIONS</u></b>			
Criminal Fees	622,977	-	622,977
Total Program Revenues	<u>622,977</u>	<u>-</u>	<u>622,977</u>
Net Program Costs	<u>2,567</u>	<u>(19,696)</u>	<u>(17,129)</u>
<b><u>GENERAL REVENUES</u></b>			
Investment earnings	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</u></b>			
	2,567	(19,696)	(17,129)
Transfers to General Fund	(75,000)	-	(75,000)
<b><u>FUND BALANCE/NET POSITION:</u></b>			
Beginning of the Year	235,649	(188,636)	47,013
Restate beginning fund balance	(3,503)	3,503	-
	<u>232,146</u>	<u>(185,133)</u>	<u>47,013</u>
End of the Year	<u>\$ 159,713</u>	<u>\$ (204,829)</u>	<u>\$ (45,116)</u>

**CITY OF ZACHARY, LOUISIANA  
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS  
 TO AGENCY HEADS  
 FOR THE YEAR ENDED JUNE 30, 2019**

**AGENCY HEAD: David Amrhein, Mayor**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 97,912
Benefits - insurance	8,225
Benefits - retirement	26,436
Benefits - other	204
Travel	1,287
Fuel	1,211
Vehicle Maintenance	314
Meals and reimbursements	135
Phone Allowance	1,025
<b>Total</b>	<b>\$ 136,749</b>

**AGENCY HEAD: David McDavid, Chief of Police**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 81,908
Benefits - insurance	9,481
Benefits - retirement	17,458
Travel/Training	650
Fuel	3,226
Chief Expense	2,753
Phone Allowance	253
Clothing	-
<b>Total</b>	<b>\$ 115,729</b>

CITY OF ZACHARY, LOUISIANA  
 SCHEDULE OF COMPENSATION OF BOARD MEMBERS  
 FOR THE YEAR ENDED JUNE 30, 2019

		<u>Gross Compensation                      during the year                      ended 6/30/19</u>
<b><u>Council Members (Term):</u></b>		
Brandon Noel	\$	11,560
Francis Nezanaya		11,560
Tommy Womack		6,836
Benjamin Cavin		6,836
Laura O'Brien		11,559
Thomas Hunter Landry		4,300
Lael Montgomery		4,300
	\$	56,951

**CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF INSURANCE IN FORCE  
JUNE 30, 2019**

<u>Name of Insurer</u>	<u>Expiration Date</u>	<u>Type of Coverage</u>	<u>Coverage Limits</u>
Princeton Excess	11/1/2019	General liability building	\$ 3,000,000
Princeton Excess	11/1/2019	Employee practices liability	\$ 3,000,000
Princeton Excess	11/1/2019	Auto liability	\$ 3,000,000
Princeton Excess	11/1/2019	Law Enforcement liability	\$ 3,000,000
Princeton Excess	11/1/2019	Public official	\$ 3,000,000
Southern Insurance (Republic Group)	11/1/2019	Crime	
		Employee theft	\$ 250,000
		Forgery/Alteration	\$ 250,000
		Money & Securities:	
		Inside premises	\$ 10,000
		Outside premises	\$ 5,000
		Computer Fraud	\$ 250,000
		Funds transfer fraud	\$ 250,000
Louisiana Workers Compensation Corp.	1/1/2019	Workers compensation	Statutory limits
Southern Insurance (Republic Group)	11/1/2019	Auto physical damage & scheduled autos	ACV

## PERFORMANCE AND STATISTICAL DATA

**CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF UTILITY STATISTICS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>		<u>2018</u>	
Gas customer data are as follows:				
Gas sales	\$	2,663,499	\$	2,688,611
Gas purchased	\$	932,777	\$	849,576
MCF gas sold		243,258		239,271
Number of customers at year end		4,944		4,732
MCF gas purchased		259,999		265,699
MCF gas unaccounted for		16,741		26,428
Average monthly billing per customer	\$	44.89	\$	47.35
Water customer data are as follows:				
Water sales	\$	2,796,446	\$	2,549,298
Thousands of gallons of water sold		792,816		768,396
Number of customers at year end		8,081		7,835
Average monthly billing per customer	\$	28.84	\$	27.11
Sewer customer data are as follows:				
Sewer sales	\$	1,103,472	\$	965,170
Number of customers at year end		6,028		5,747
Average monthly billing per customer	\$	15.25	\$	14.00

**OTHER REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

# **BAXLEY AND ASSOCIATES, LLC**

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Hugh F. Baxley, CPA/CGMA/CVA – Retired

## **SCHEDULE 11**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit (City Court), each major fund, and the aggregate remaining fund information of the City of Zachary, Louisiana as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Zachary, Louisiana’s basic financial statements and have issued our report thereon dated December 16, 2019.

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

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

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 have not been identified. However, as described in the accompanying schedule of findings, 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 to be material weaknesses. [2019-001 and 2019-002].

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

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 to be significant deficiencies. [2019-003, 2019-004].

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Zachary, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**City of Zachary, Louisiana's Response to Findings**

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

**Purpose of this Report**

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

*Baxley & Associates, LLC*

Plaquemine, Louisiana  
December 16, 2019

**CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

**A. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

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

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT FINDINGS**

**2019-001 PROPER FUND CLASSIFICATION**

Condition

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

Criteria

Transactions should be properly recorded in the appropriate funds.

Effect

Fund financial statements were not properly stated.

Recommendation

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

**2019-002 UNRECORDED TRANSACTIONS**

Condition

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

CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

Criteria

Payables and reimbursement receivables should be recorded in the period that the purchase was made or the services were performed.

Effect

Revenue, receivables, construction in progress, accounts payable and expenditures were understated.

Recommendation

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

**2019-003 BANK RECONCILIATION**

Condition

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

Criteria

General ledger accounts and bank reconciliations should be reviewed periodically for correctness.

Effect

Due to the general ledger accounts and bank reconciliations not being in agreement, the year-end balances were misstated.

Recommendation

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

**2019-004 IMPROPER CLASSIFICATION OF EXPENSES**

Condition

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

Criteria

Expenditures should be recorded in the proper general ledger accounts consistently throughout the period.

Effect

Expense account balances could be misstated.

CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

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

CITY OF ZACHARY, LOUISIANA  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2019

**2019-001 PROPER FUND CLASSIFICATION**

*Management's Response and Corrective Action Plan*

The CFO is conducting a detailed review of the financial statements quarterly to discover and correct any misposting of receipts between funds by recording the proper receivable and/or payable.

**2019-002 UNRECORDED TRANSACTIONS**

*Management's Response and Corrective Action Plan*

Though a search of unrecorded transactions was performed in July and August of 2019, it is noted that occasionally invoices are overlooked, or vendors remit invoices on an untimely basis. The CFO will continue to review invoices received after the financial statement date to determine if any payables or receivables should be recorded.

**2019-003 BANK RECONCILIATION**

*Management's Response and Corrective Action Plan*

The CFO will review the City Court bank reconciliations and make adjustments where necessary to agree with general ledger balances. It is noted that the amount of the misstatement was \$334.

**2019-004 IMPROPER CLASSIFICATION OF EXPENSES**

*Management's Response and Corrective Action Plan*

The CFO has discussed with the department head and secretary the importance of proper expense classification. The CFO is reviewing quarterly the financial statements for reasonableness of expense classification specific to this department and will meet with department heads regarding any items that require clarification.

*Name and Title of Contact Person*

Deanna Mankins, CPA, Chief Financial Officer

**CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**2018-001 LATE SUBMISSION OF REPORT**

Condition

The audited financial statements were not filed timely as required by Louisiana Revised Statutes.

Recommendation

The City should provide complete information to the auditor in a manner that enables timely completion of the audited financial statements.

Current Status

This was corrected in the current year.

**2018-002 LONG TERM OUTSTANDING CHECKS**

Condition

Accounts on the General Fund and Utility Fund have long-term outstanding checks on the bank reconciliations that exceed one year.

Recommendation

We recommend implementing a policy to void checks after a certain period of time, but maintaining a report of checks voided in case the payee contacts the City of Zachary to claim their funds. We also recommend adhering to the State's escheat laws regarding unclaimed property.

Current Status

This was corrected in the current year.

**2018-003 INTERNAL CONTROLS OVER FUELMAN**

Condition

During the month of July 2018, the City discovered that three employees were using Fuelman credit cards for personal use. The estimated amount of funds misappropriated was approximately \$9,800.

- The City filed criminal charges against two of the employees with a 35-day suspension without pay, six-month probation, and reimbursement to the City for funds stolen (\$1,300). These two cases were handled by the Zachary City Court. The investigation of fraud abuse on the Fuelman card for these two employees was from January 2018 through July 2018. Per the Director of Administration for the City of Zachary, these two cases are closed as of the date of this report.
- On the third employee, the City filed criminal charges and made an arrest. The employee retired in lieu of termination and forfeited his sick/vacation leave. His personal use of Fuelman credit card extended over 4 years or \$8,500. The investigation of fraud

CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

abuse on the Fuelman card for this employee was from June 2014 through July 2018. Per the Director of Administration for the City of Zachary, this case is closed as of the date of this report.

The above cases were turned over to the Zachary City Court, the District Attorney's office and the Louisiana Legislative Auditors office.

Recommendation

The City should enhance the control procedures over the fuel cards by examining the detail bills including dates, times, gallons purchased and type of gasoline. Further explanation should be given for excessive purchases.

Current Status

This was corrected in the current year.

**2018-004 LATE PAYMENT OF PRINCIPAL**

Condition

Per a debt service schedule for the hotel occupancy tax, the first principal payment was due to the Bank of Zachary on January 1, 2018 in the amount of \$90,000. The amount was actually paid on August 20, 2018.

Recommendation

Management should implement procedures to ensure that all due dates and principal payments are made timely.

Current Status

This was corrected in the current year.

**2018-005 PROPER COLLATERALIZATION**

Condition

Cash deposits were not fully insured or collateralized at Regions Bank.

Recommendation

Management should consult with the bank to ensure that pledges are made to cover the full balance of bank balances, and periodically review the pledges especially during peak times.

Current Status

This was corrected in the current year.

CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

**2018-006 FEDERAL REIMBURSEMENT RECEIVABLE (LOUISIANA COMMUNITY DEVELOPMENT BLOCK GRANT)**

Condition

A federal reimbursement receivable for the LCDBG grant of \$351,067 was not recorded.

Recommendation

Management should review Requests for Reimbursements submitted near year-end or afterwards to ensure that all revenue corresponding to expenditures incurred in the audit period is recorded.

Current Status

This was corrected in the current year.

**C. FINDINGS - FEDERAL AWARDS**

**2018-007 FEDERAL REIMBURSEMENT RECEIVABLE (LOUISIANA COMMUNITY DEVELOPMENT BLOCK GRANT)**

Condition

A federal reimbursement receivable for the LCDBG grant of \$351,067 was not recorded.

Recommendation

Management should review Requests for Reimbursements submitted near year-end or afterwards to ensure that all revenue corresponding to expenditures incurred in the audit period is recorded.

Current Status

This was corrected in the current year.

**2018-008 COMPLIANCE WITH DEBT COVENANTS (CLEAN WATER STATE REVOLVING FUND)**

Condition

The restricted bond account transfers to the Debt Service Fund account were not made on or before the 20<sup>th</sup> of the month as required by the Flow of funds in the Loan Agreement. The Loan Agreement also requires one Debt Service Reserve bank account for each of the two series of the bonds; however, only one Debt Service Reserve account was established.

Recommendation

Management should review the Loan Agreement Flow of Funds and take appropriate actions to ensure that they are in compliance.

CITY OF ZACHARY, LOUISIANA  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

Current Status

This was corrected in the current year.

**2018-009 SUBCONTRACTOR DUNS NUMBER**

Condition

The City did not provide evidence of an active DUNS number for one of its subcontractors.

Recommendation

The City should ensure that all subcontractors have an active DUNS number prior to awarding a bid.

Current Status

This was corrected in the current year.

**CITY OF ZACHARY, LOUISIANA**  
**INDEPENDENT ACCOUNTANT'S REPORT ON**  
**APPLYING AGREED-UPON PROCEDURES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

# **BAXLEY AND ASSOCIATES, LLC**

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**Hugh F. Baxley, CPA/CGMA/CVA – Retired**

To the Honorable Mayor David Amrhein  
And Members of the Council &  
Louisiana Legislative Auditors  
City of Zachary, Louisiana

## **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

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

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

The procedures and associated findings are as follows:

### **Written Policies and Procedures**

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

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category for items a through j since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category for items a through j.*

*We received and reviewed a copy of the City's written policies and procedures regarding Disaster Recovery/Business Continuity. All components mentioned in item k above were addressed in the written policies and procedures.*

*No exceptions were noted as a result of applying the above procedure.*

**Board or Finance Committee**

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

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

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.*

**Bank Reconciliations**

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.*

**Collections**

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

*Findings:*

*We received management's representation that there is only one deposit site.*

*No exceptions were noted as a result of applying the above procedure.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

*Findings:*

*We received management's representation that there is only one collection location. There are four employees responsible for collecting cash and none of these employees share cash drawers. These employees are not responsible for preparing/making the bank deposits. These employees are also not responsible for posting collection entries to the general ledger or subsidiary ledgers. The employee responsible for reconciling cash collections to the general ledger is not responsible for cash collections.*

*No exceptions were noted as a result of applying the above procedure.*

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

*Findings:*

*Management stated that all employees who have access to cash are covered by a bond or insurance policy.*

*No exceptions were noted as a result of applying the above procedure.*

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

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

*Findings:*

*We received supporting documentation for each of the 10 deposits selected. We were able to observe that receipts were sequentially pre-numbered as applicable and trace the supporting documentation to the deposit slips. The deposit slips were agreed to the deposit*

per the bank statement. The deposits selected were also made within one business day of receipt. The actual deposits were also traced to the general ledger.

No exceptions were noted as a result of applying the above procedure.

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

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

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.*

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.*

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.*

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.*

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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.]
- b) Observe that finance charges and late fees were not assessed on the selected statements.

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.*

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.*

### **Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

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

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*Findings:*

*We received a listing of all travel and travel-related expense reimbursements during the fiscal period along with management's representation that the listing is complete.*

*The two of the travel reimbursements selected were paid using per diem rates and the other three were reimbursed using actual costs. The five travel reimbursements selected were supported by original itemized receipts. Each reimbursement was supported by the business/public purpose and each reimbursement was approved, in writing, by someone other than the person receiving the reimbursement.*

*No exceptions were noted as a result of applying the above procedure.*

**Contracts**

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.*

**Payroll and Personnel**

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5

employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.*

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.*

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

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.*

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

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.*

**Ethics**

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

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.*

**Debt Service**

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

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.*

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 2. Management agrees that procedures do not need to be performed in this category.*

**Other**

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

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.*

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

*Findings:*

*Based on the terms of the Agreed Upon Procedures, we are allowed to rotate procedures in this category since there were no exceptions in Year 1. Management agrees that procedures do not need to be performed in this category.*

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.

*Baxley & Associates, LLC*

Baxley and Associates, LLC  
Plaquemine, Louisiana  
December 16, 2019