

CITY OF BREAUX BRIDGE, LOUISIANA

Financial Report

Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

* A Professional Accounting Corporation

The Honorable Ricky Calais, Mayor
and Members of the Board of Aldermen
City of Breux Bridge, Louisiana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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

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

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City’s legally separate component units. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the City’s primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units would have been presented as \$393,705, \$322,958, \$115,523, \$219,308, and \$307,712 respectively.

Adverse Opinion

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Breaux Bridge, Louisiana, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 50 through 55 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.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Breaux Bridge, Louisiana's basic financial statements. The other supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
October 19, 2017

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

CITY OF BREAUX BRIDGE

Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 5,938,227	\$ 2,020,459	\$ 7,958,686
Receivables, net	459,928	392,438	852,366
Internal balances	61,106	(61,106)	-
Due from other governmental units	1,099,023	-	1,099,023
Prepaid items	<u>93,046</u>	<u>62,424</u>	<u>155,470</u>
Total current assets	<u>7,651,330</u>	<u>2,414,215</u>	<u>10,065,545</u>
Noncurrent assets:			
Restricted assets:			
Cash and interest-bearing deposits	393	196,941	197,334
Capital assets, net	<u>7,370,895</u>	<u>9,571,723</u>	<u>16,942,618</u>
Total noncurrent assets	<u>7,371,288</u>	<u>9,768,664</u>	<u>17,139,952</u>
Total assets	<u>15,022,618</u>	<u>12,182,879</u>	<u>27,205,497</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>309,999</u>	-	<u>309,999</u>
LIABILITIES			
Current liabilities:			
Accounts, salaries and other payables	425,581	209,859	635,440
Note payable	<u>695,000</u>	<u>231,217</u>	<u>926,217</u>
Total current liabilities	<u>1,120,581</u>	<u>441,076</u>	<u>1,561,657</u>
Noncurrent liabilities:			
Customers' deposits payable	-	196,941	196,941
Note payable	4,095,000	-	4,095,000
Net pension liability	<u>1,018,507</u>	<u>-</u>	<u>1,018,507</u>
Total noncurrent liabilities	<u>5,113,507</u>	<u>196,941</u>	<u>5,310,448</u>
Total liabilities	<u>6,234,088</u>	<u>638,017</u>	<u>6,872,105</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>151,047</u>	-	<u>151,047</u>
NET POSITION			
Net investment in capital assets	2,580,895	9,340,506	11,921,401
Restricted for debt service	393	-	393
Unrestricted	<u>6,366,194</u>	<u>2,204,356</u>	<u>8,570,550</u>
Total net position	<u>\$ 8,947,482</u>	<u>\$ 11,544,862</u>	<u>\$ 20,492,344</u>

The accompanying notes are an integral part of this statement.

CITY OF BREAUX BRIDGE

Statement of Activities
For the Year Ended June 30, 2017

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 2,550,525	\$ 511,862	\$ -	\$ -	\$ (2,038,663)	\$ -	\$ (2,038,663)
Public safety:							
Police	1,832,192	179,826	6,377	-	(1,645,989)	-	(1,645,989)
Streets	1,303,358	-	-	-	(1,303,358)	-	(1,303,358)
Sanitation	908,247	911,198	-	-	2,951	-	2,951
Parks and recreation	404,550	-	-	24,000	(380,550)	-	(380,550)
Interest on long-term debt	141,314	-	-	-	(141,314)	-	(141,314)
Total governmental activities	<u>7,140,186</u>	<u>1,602,886</u>	<u>6,377</u>	<u>24,000</u>	<u>(5,506,923)</u>	<u>-</u>	<u>(5,506,923)</u>
Business-type activities:							
Water	1,597,742	1,706,594	28,186	30,000	-	167,038	167,038
Sewer	651,059	975,453	-	-	-	324,394	324,394
Total business-type activities	<u>2,248,801</u>	<u>2,682,047</u>	<u>28,186</u>	<u>30,000</u>	<u>-</u>	<u>491,432</u>	<u>491,432</u>
Total	<u>\$ 9,388,987</u>	<u>\$ 4,284,933</u>	<u>\$ 34,563</u>	<u>\$ 54,000</u>	<u>(5,506,923)</u>	<u>491,432</u>	<u>(5,015,491)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					282,044	-	282,044
Sales and use taxes, levied for general purposes					3,253,443	-	3,253,443
Franchise taxes					444,132	-	444,132
Grants and contributions not restricted to specific programs -							
State and local sources					1,623,300	-	1,623,300
Interest and investment earnings					-	3,089	3,089
Miscellaneous					370,042	577,034	947,076
Loss on disposal of assets					(823)	-	(823)
Transfers					20,000	(20,000)	-
Total general revenues and transfers					<u>5,992,138</u>	<u>560,123</u>	<u>6,552,261</u>
Change in net position					485,215	1,051,555	1,536,770
Net position - July 1, 2016					<u>8,462,267</u>	<u>10,493,307</u>	<u>18,955,574</u>
Net position - June 30, 2017					<u>\$ 8,947,482</u>	<u>\$ 11,544,862</u>	<u>\$ 20,492,344</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

MAJOR FUNDS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sales Tax Fund -

To account for the receipt and use of proceeds of the City's 1% sales and use tax. These taxes may only be used for improvements and operation of specific public works and recreational facilities and to fund payment of the City's public improvement bonds.

District Sales Tax Fund -

To account for the receipt and use of proceeds of the City's additional 1% sales and use tax. This additional sales and use tax is in the Sales Tax District No. 1 of the City of Breaux Bridge. 20% of these taxes may only be used for repairs and maintenance of the City's infrastructure which serves property located within the municipal limits in accordance with an Annual Plan for Repair and Maintenance of Municipality Infrastructure. The remaining 80% of these taxes may be used for new construction of infrastructure within the City of Breaux Bridge, or for the substantial improvement of existing infrastructure within the municipal limits, all according to a Master Plan for the Construction of Municipal Infrastructure. Effective July 1, 2016, the percentages changed from 20% / 80% to 50% / 50%.

Capital Projects Fund

To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Reserve Bond Construction -

To account for the water system improvements set forth in the Master Plan. Financing is provided by the issuance of \$2,700,000 of revenue bonds.

Capital Projects Fund -

To account for various projects being funded by the District Sales Tax Fund according to the Master Plan.

Enterprise Fund

Utility Fund -

To account for the provision of water and sewer services to residents of the City and some residents of St. Martin Parish. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

NONMAJOR FUNDS

Three Capital Projects Funds and three Debt Service Funds have been combined and are presented as the nonmajor funds.

Fiduciary Fund

Bond Fee Fund -

To account for the collection of bond fees and payment of these collections to various governmental agencies in accordance with applicable laws.

CITY OF BREAUX BRIDGE

Balance Sheet
Governmental Funds
June 30, 2017

	General	Sales Tax Special Revenue	District Sales Tax Special Revenue	Capital Projects Fund	Reserve Bond Construction Fund	Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and interest-bearing deposits	\$ 560,666	\$ 741,456	\$2,681,064	\$ 799,749	\$ 1,112,514	\$ 43,171	\$ 5,938,620
Receivables:							
Taxes and licenses	3,722	276,462	68,303	-	-	-	348,487
Due from other governmental units	1,210,464	-	-	-	-	-	1,210,464
Due from other funds	61,106	-	-	982,745	-	-	1,043,851
Prepaid items	93,046	-	-	-	-	-	93,046
Total assets	<u>\$1,929,004</u>	<u>\$1,017,918</u>	<u>\$2,749,367</u>	<u>\$1,782,494</u>	<u>\$ 1,112,514</u>	<u>\$ 43,171</u>	<u>\$ 8,634,468</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued expenditures	\$ 337,624	\$ 1,082	\$ -	\$ 54,187	\$ -	\$ -	\$ 392,893
Due to other funds	<u>975,000</u>	<u>-</u>	<u>7,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>982,745</u>
Total liabilities	<u>1,312,624</u>	<u>1,082</u>	<u>7,745</u>	<u>54,187</u>	<u>-</u>	<u>-</u>	<u>1,375,638</u>
Fund balances -							
Nonspendable	93,046	-	-	-	-	-	93,046
Restricted	-	1,016,836	2,741,622	1,728,307	1,112,514	43,171	6,642,450
Unassigned	<u>523,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>523,334</u>
Total fund balances	<u>616,380</u>	<u>1,016,836</u>	<u>2,741,622</u>	<u>1,728,307</u>	<u>1,112,514</u>	<u>43,171</u>	<u>7,258,830</u>
Total liabilities and fund balances	<u>\$1,929,004</u>	<u>\$1,017,918</u>	<u>\$2,749,367</u>	<u>\$1,782,494</u>	<u>\$ 1,112,514</u>	<u>\$ 43,171</u>	<u>\$ 8,634,468</u>

The accompanying notes are an integral part of this statement.

CITY OF BREAUX BRIDGE

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

Total fund balances for governmental funds at June 30, 2017 \$ 7,258,830

Total net position reported for governmental activities in the statement
of net position is different because:

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

Land	\$ 472,382	
Construction in progress	972,956	
Buildings and improvements, net of \$1,296,299 accumulated depreciation	1,968,622	
Equipment and vehicles, net of \$2,483,898 accumulated depreciation	1,507,604	
Infrastructure, net of \$3,289,399 accumulated depreciation	<u>2,449,331</u>	\$ 7,370,895

General long-term debt of governmental activities is not payable
from current resources and, therefore, not reported in the funds.
This debt is:

Notes payable and underlying accrued interest	(4,822,688)	
Net pension liability	(1,018,507)	
Deferred outflows of resources	309,999	
Deferred inflows of resources	<u>(151,047)</u>	<u>(5,682,243)</u>
		<u>1,688,652</u>

Total net position of governmental activities at June 30, 2017 \$ 8,947,482

The accompanying notes are an integral part of this statement.

CITY OF BREAUX BRIDGE

Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds
For the Year Ended June 30, 2017

	General	Sales Tax Special Revenue	District Sales Tax Special Revenue	Capital Projects Fund	Reserve Bond Construction Fund	Nonmajor Funds	Total
Revenues:							
Taxes	\$ 726,176	\$2,389,999	\$ 863,444	\$ -	\$ -	\$ -	\$3,979,619
Licenses and permits	511,862	-	-	-	-	-	511,862
Grants (federal and state)	6,377	-	-	24,000	-	-	30,377
Intergovernmental	1,597,425	-	-	-	-	-	1,597,425
Charges for services	911,198	-	-	-	-	-	911,198
Fines and forfeits	179,826	-	-	-	-	-	179,826
Miscellaneous	375,500	-	-	-	-	200	375,700
Total revenues	<u>4,308,364</u>	<u>2,389,999</u>	<u>863,444</u>	<u>24,000</u>	<u>-</u>	<u>200</u>	<u>7,586,007</u>
Expenditures:							
Current -							
General government	1,813,673	43,191	11,522	-	-	-	1,868,386
Streets and bridges	829,836	-	-	-	-	-	829,836
Sanitation	908,247	-	-	-	-	-	908,247
Public safety -police	1,735,708	-	-	-	-	-	1,735,708
Culture and recreation	332,077	-	-	-	-	-	332,077
Debt service	-	-	-	-	-	816,314	816,314
Capital outlay	338,314	-	-	710,693	603,458	-	1,652,465
Total expenditures	<u>5,957,855</u>	<u>43,191</u>	<u>11,522</u>	<u>710,693</u>	<u>603,458</u>	<u>816,314</u>	<u>8,143,033</u>
Excess (deficiency) of revenues over expenditures	<u>(1,649,491)</u>	<u>2,346,808</u>	<u>851,922</u>	<u>(686,693)</u>	<u>(603,458)</u>	<u>(816,114)</u>	<u>(557,026)</u>
Other financing sources (uses):							
Operating transfers in	2,600,000	-	-	2,415,000	-	816,314	5,831,314
Operating transfers out	<u>(1,119,442)</u>	<u>(2,521,242)</u>	<u>(2,170,630)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,811,314)</u>
Total other financing sources (uses)	<u>1,480,558</u>	<u>(2,521,242)</u>	<u>(2,170,630)</u>	<u>2,415,000</u>	<u>-</u>	<u>816,314</u>	<u>20,000</u>
Net changes in fund balances	(168,933)	(174,434)	(1,318,708)	1,728,307	(603,458)	200	(537,026)
Fund balances, beginning	<u>785,313</u>	<u>1,191,270</u>	<u>4,060,330</u>	<u>-</u>	<u>1,715,972</u>	<u>42,971</u>	<u>7,795,856</u>
Fund balances, ending	<u>\$ 616,380</u>	<u>\$1,016,836</u>	<u>\$ 2,741,622</u>	<u>\$ 1,728,307</u>	<u>\$ 1,112,514</u>	<u>\$ 43,171</u>	<u>\$7,258,830</u>

The accompanying notes are an integral part of this statement.

CITY OF BREAUX BRIDGE

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

Total net changes in fund balances at June 30, 2017 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (537,026)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$1,652,465
Depreciation expense for the year ended June 30, 2017	<u>(826,263)</u> 826,202
An asset was accounted for in a governmental fund during construction; however, it was transferred to a business type fund upon completion	
	(574,669)
Because governmental funds do not record fixed assets and accumulated depreciation, any assets disposed of with no selling price does not affect the statement of revenues, expenditures, and changes in fund balances. However, in the statement of activities, a gain or loss is shown on assets that are not fully depreciated.	
	(823)
Governmental funds record long-term debt in the General Long- Term Debt Account Group as opposed to recording debt activity in the fund financial statements. However, in the statement of activities, the debt and related expenses are reported.	
Principal debt payments	675,000
Implementation of GASB 68 (revenue less expenses)	<u>96,531</u>
Total changes in net position at June 30, 2017 per Statement of Activities	<u>\$ 485,215</u>

The accompanying notes are an integral part of this statement.

CITY OF BREAUX BRIDGE

Statement of Net Position
 Proprietary Fund
 June 30, 2017

ASSETS	
Current assets:	
Cash and interest-bearing deposits	\$ 2,020,459
Receivables:	
Accounts	392,438
Prepaid items	<u>62,424</u>
Total current assets	<u>2,475,321</u>
Noncurrent assets:	
Restricted assets -	
Cash and interest-bearing deposits	196,941
Capital assets, net of accumulated depreciation	<u>9,571,723</u>
Total noncurrent assets	<u>9,768,664</u>
Total assets	<u>12,243,985</u>
DEFERRED OUTFLOWS OF RESOURCES	
	<u>-</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	196,161
Due to other funds	61,106
Retainage payable	13,725
Revenue bonds payable	231,217
Customers' deposits	<u>196,914</u>
Total liabilities	<u>699,123</u>
DEFERRED INFLOWS OF RESOURCES	
	<u>-</u>
NET POSITION	
Net investment in capital assets	9,340,506
Restricted for debt service	-
Unrestricted	<u>2,204,356</u>
Total net position	<u>\$ 11,544,862</u>

The accompanying notes are an integral part of this statement.

CITY OF BREAUX BRIDGE

Statement of Revenues, Expenses, and Changes in Fund Net Position -
 Proprietary Fund
 For the Year Ended June 30, 2017

Operating revenues:	
Charges for services	\$ 2,577,607
Miscellaneous	<u>104,440</u>
Total operating revenues	<u>2,682,047</u>
Operating expenses:	
Repairs and maintenance	280,493
Salaries	413,925
Depreciation	623,246
Other operating expenses	<u>931,137</u>
Total operating expenses	<u>2,248,801</u>
Operating loss	<u>433,246</u>
Nonoperating revenues (expenses):	
Grant Funds	30,000
FEMA flood reimbursement	28,186
Interest on investments	3,089
Miscellaneous	<u>2,747</u>
Total nonoperating revenue	<u>64,022</u>
Income before transfers	<u>497,268</u>
Capital contributions	574,287
Operating transfers in	1,280,000
Operating transfers out	<u>(1,300,000)</u>
Total operating transfers	<u>554,287</u>
Change in net position	1,051,555
Net position, beginning	<u>10,493,307</u>
Net position, ending	<u>\$ 11,544,862</u>

The accompanying notes are an integral part of this statement.

CITY OF BREAUX BRIDGE

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2017

Cash flows from operating activities:	
Receipts from customers	2,604,478
Payments to suppliers	(1,108,529)
Payments to employees	<u>(413,925)</u>
Net cash provided by operating activities	<u>1,082,024</u>
Cash flows from noncapital financing activities:	
Cash received from others	30,933
Proceeds from grant	30,000
Operating transfers out to other funds	<u>(15,230)</u>
Net cash provided by noncapital financing activities	<u>45,703</u>
Cash flows from capital and related financing activities:	
Proceeds from revenue bonds	231,217
Acquisition of capital assets	<u>(16,140)</u>
Net cash provided by capital and related financing activities	<u>215,077</u>
Cash flows from investing activities:	
Interest on investments and interest-bearing deposits	<u>3,089</u>
Net increase in cash and cash equivalents	1,345,893
Cash and cash equivalents, beginning of period	<u>871,507</u>
Cash and cash equivalents, end of period	<u>\$ 2,217,400</u>

(continued)

CITY OF BREAUX BRIDGE

Statement of Cash Flows
 Proprietary Fund (Continued)
 For the Year Ended June 30, 2017

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 433,246
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	623,246
Changes in current assets and liabilities:	
Increase in accounts receivable	(45,698)
Increase in prepaid items	(1)
Increase in accounts payable and accrued liabilities	71,231
Total adjustments	<u>648,778</u>
Net cash provided by operating activities	<u>\$ 1,082,024</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:	
Cash and cash equivalents, beginning of period -	
Cash - unrestricted	\$ 704,375
Cash - restricted	<u>167,132</u>
Total cash and cash equivalents	<u>871,507</u>
Cash and cash equivalents, end of period -	
Cash - unrestricted	2,020,459
Cash - restricted	<u>196,941</u>
Total cash and cash equivalents	<u>2,217,400</u>
Net increase	<u>\$ 1,345,893</u>

The accompanying notes are an integral part of this statement.

CITY OF BREAUX BRIDGE

Statement of Fiduciary Net Position
Bond Fee Fund
June 30, 2017

ASSETS

Cash	\$	<u>408</u>
Total assets	\$	<u>408</u>

LIABILITIES

Due to others	\$	<u>408</u>
Total liabilities	\$	<u>408</u>

The accompanying notes are an integral part of this statement.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The City of Breaux Bridge was incorporated on January 26, 1901 under the provisions of the Lawrason Act. The City operates under a Mayor-Board of Aldermen form of government.

The accompanying financial statements of the City of Breaux Bridge (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The Breaux Bridge City Court and the Breaux Bridge City Marshal were determined to be component units of the City of Breaux Bridge, primary government. This determination was made on the financial interdependency criterion. Both the City Court and the City Marshal have a December 31 year-end.

The City has chosen to issue financial statements of the primary government (City) only; therefore, neither of the previously listed component units are included in the accompanying financial statements. Financial information for these component units may be obtained by contacting the respective component unit.

These primary government (City) financial statements include all funds, account groups, and organizations for which the City maintains the accounting records.

GASB Statement 14 provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, the primary government's (City) financial statements are not a substitute for the reporting entity's financial statements. The accompanying primary government financial statements have been prepared in conformity with generally accepted

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

accounting principles as applied to governmental units. These financial statements are not intended to and do not report on the reporting entity but rather are intended to reflect only the financial statements of the primary government.

The Breaux Bridge Housing Authority was chartered by the City in 1958. The Authority's five-member board of directors is appointed by the Mayor and Board of Aldermen of the City. The City's oversight responsibilities in the management, operation and financial accountability of the Authority are remote. For this reason, the Authority is not considered to be a component unit of the City and accordingly, is not included in the City's audited financial statements. The Authority's in-lieu-of-tax payment to the City was waived for 2017.

The City has no authority over, nor is it involved in the record keeping of the Breaux Bridge Volunteer Fire Department; therefore, the Department is not considered to be a component unit of the City and accordingly, is not included in the City's audited financial statements.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity, except the fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the 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 function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) 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 accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the City are classified into two categories: governmental and proprietary (enterprise). The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type: and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Six funds of the City are considered to be major funds and are described below:

Governmental Funds -

General Fund -

The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Fund -

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Sales Tax Fund –

To account for the receipt and use of proceeds of the City's 1% sales and use tax. These taxes may only be used for improvements and operation of specific public works and recreational facilities and to fund payment of the City's public improvement bonds.

District Sales Tax Fund –

To account for the receipt and use of proceeds of the City's additional 1% sales and use tax. This additional sales and use tax is in the Sales Tax District No. 1 of the City. 20% of these taxes may only be used for repairs and maintenance of the

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

City's infrastructure which serves property located within the municipal limits in accordance with an Annual Plan for Repair and Maintenance of Municipality Infrastructure. The remaining 80% of these taxes may be used for new construction of infrastructure within the City, or for the substantial improvement of existing infrastructure within the municipal limits, all according to a Master Plan for the Construction of Municipal Infrastructure. Effective July 1, 2016, the percentages stated above changed from 20% / 80% to 50% / 50%.

Capital Projects Funds -

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Reserve Bond Construction Fund -

To account for the water system improvements set forth in the Master Plan. Financing is provided by the issuance of \$2,700,000 of revenue bonds.

Capital Projects Fund -

To account for various projects being funded by the District Sales Tax Fund according to the Master Plan.

Proprietary Fund -

Enterprise Fund -

The enterprise 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 goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided 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. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are derived from charges for services. All other revenues are reported as nonoperating.

The City's nonmajor funds are described below:

LCDBG Capital Projects Fund -

To account for various projects financed partially or completely by community block grants.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

2015 Limited Tax Equipment Fund --

To account for the acquisition of vehicles and equipment. Financing is provided by the issuance of \$225,000 of limited tax revenue bonds.

2017 Utility Construction Fund --

To account for sewer improvement projects.

Debt Service Funds -

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

There are three debt service funds at June 30, 2017. One handles payments on the 2008 Certificate of Indebtedness and the 2010 Street Improvement Bonds. It is used to account for repayment of \$3,000,000 certificate of indebtedness, Series 2008, which is due in annual installments, plus interest, until maturity in 2023. It is also used to account for repayment of \$1,000,000 street improvement bonds, Series 2010, which is due in annual installments, plus interest, until maturity in 2020. The second handles repayment of \$1,000,000 limited tax bonds Series 2010, which is due in annual installments, plus interest, until maturity in 2020. It is also used to account for repayment of \$225,000 limited tax revenue bonds, Series 2015, which is due in annual installments, plus interest, until maturity in 2026. The third handles repayment of \$2,700,000 revenue bonds, Series 2015, which is due in annual installments, plus interest, until maturity in 2025.

Fiduciary Fund Type -

Bond Fee Fund (Agency Fund) -

The bond fee fund is used to account for the collection of bond fees and payment of these collections to various governmental agencies in accordance with applicable laws.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. 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 BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Cash, interest-bearing deposits, and investments

For purposes of the Statement of Net Position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes and franchise taxes. Business-type activities report customer's utility service receivables as their major receivables. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading/billing and the end of the month are estimated and recorded at June 30, 2017.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets are capitalized at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	15-40 years
Equipment and vehicles	2-30 years
Utility system and improvements	10-50 years
Infrastructure	40 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Prior to the adoption of GASB 34, it was the City's policy not to record infrastructure; therefore, the City did not have a complete listing of infrastructure. The City has opted not to do a detailed analysis of existing infrastructure. Rather, we will begin accumulating infrastructure information prospectively.

Restricted Assets

Restricted assets include cash, interest-bearing deposits, and investments of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and utility meter deposits.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of the revenue bonds payable and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Unpaid Accumulated Vacation, Sick Pay, and Compensated Time

Unused vacation accumulated by employees is lost each year unless taken. Sick leave accumulates from year to year, but is lost upon termination. Compensated

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

time (overtime earned but not paid) is accumulated by employees and is not lost upon termination.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the two categories of net position.

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as follows. Proprietary fund equity is classified the same as in the government-wide statements.

Fund balances of the governmental funds are 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 purposes because of constitutional provisions or enabling legislation or because of constraints that

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Aldermen. The Board is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Board members.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City’s policy, only Board members may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2017, fund balances are composed of the following:

	<u>General</u>	<u>Sales Tax Special Revenue</u>	<u>District Sales Tax Special Revenue</u>	<u>Capital Projects Fund</u>	<u>Reserve Bond Construction Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Nonspendable							
Prepaid items	\$ 93,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,046
Restricted:							
Sales taxes	-	1,016,836	2,741,622	-	-	-	3,758,458
Construction	-	-	-	1,728,307	1,112,514	42,778	2,883,599
Debt service	-	-	-	-	-	393	393
Unassigned	<u>523,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>523,334</u>
Total fund balances	<u>\$ 616,380</u>	<u>\$ 1,016,836</u>	<u>\$ 2,741,622</u>	<u>\$ 1,728,307</u>	<u>\$ 1,112,514</u>	<u>\$ 43,171</u>	<u>\$ 7,258,830</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Board members have provided otherwise in its commitment or assignment actions.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

E. Capitalization of Interest Expense

It is not the policy of the City to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets.

F. Use of Estimates

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

(2) Cash and Interest-Bearing Deposits

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2017, the City has cash and interest-bearing deposits (book balances) totaling \$8,156,428 of which \$408 is attributable to the nonmajor fiduciary fund, which is not presented in the statement of net position.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit within the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2017, are as follows:

Bank Balances	<u>\$ 8,301,233</u>
At June 30, 2017 the deposits are secured as follows:	
Federal deposit insurance	\$ 250,000
Pledged securities	<u>8,051,233</u>
Total	<u>\$ 8,301,233</u>

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Deposits in the amount of \$8,051,233 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the City's name. The City does not have a policy for custodial credit risk.

(3) Receivables

Receivables at June 30, 2017 of \$852,366 consist of the following:

	<u>General</u>	<u>Sales Tax</u>	<u>Utility</u>	<u>Total</u>
Accounts	\$ -	\$ -	\$ 645,644	\$ 645,644
Allowance	-	-	(253,206)	(253,206)
Taxes:				
Sales tax	-	344,765	-	344,765
Property tax	21,933	-	-	21,933
Allowance	(18,211)	-	-	(18,211)
Franchise tax	100,105	-	-	100,105
Fines, licenses, etc.	11,336	-	-	11,336
Totals	<u>\$ 115,163</u>	<u>\$ 344,765</u>	<u>\$ 392,438</u>	<u>\$ 852,366</u>

(4) Due from Other Governmental Units

Amounts due from other governmental units at June 30, 2017 consisted of the following:

General Fund:

Amount due from the State of Louisiana for video poker receipts for May and June 2017.	\$ 104,679
Amount due from the Department of Motor Vehicles for fees for June 2017.	8,334
Amount due from the Louisiana Department of Transportation for highway maintenance for January to June 2017.	4,840
Amount due from the State of Louisiana for beer tax revenues earned during fiscal year ending June 30, 2017.	6,170
Amount due from the St. Martin Parish Government (SMPG) from the issuance of SMPG bonds for the acquisition, construction, improvement, and equipping of public parks, playgrounds, recreation centers, and other recreational facilities during fiscal year ending June 30, 2017.	<u>975,000</u>
	<u>\$ 1,099,023</u>

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(5) Capital Assets

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

	<u>Balance 07/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/17</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 472,382	\$ -	\$ -	\$ 472,382
Construction in progress	171,619	801,337	-	972,956
Capital assets being depreciated:				
Building and improvements	3,198,604	66,317	-	3,264,921
Equipment and vehicles	3,868,895	150,614	(28,007)	3,991,502
Infrastructure	5,679,202	59,528	-	5,738,730
Totals	<u>13,390,702</u>	<u>1,077,796</u>	<u>(28,007)</u>	<u>14,440,491</u>
Less accumulated depreciation:				
Building and improvements	1,202,793	93,506	-	1,296,299
Equipment and vehicles	2,243,354	267,728	(27,184)	2,483,898
Infrastructure	2,824,370	465,029	-	3,289,399
Total accumulated depreciation	<u>6,270,517</u>	<u>826,263</u>	<u>(27,184)</u>	<u>7,069,596</u>
Governmental activities, capital assets, net	<u>\$ 7,120,185</u>	<u>\$ 251,533</u>	<u>\$ (823)</u>	<u>\$ 7,370,895</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 150,200	\$ -	\$ -	\$ 150,200
Construction in progress	51,882	282,179	(25,147)	308,914
Capital assets being depreciated:				
Plant and equipment - water system	8,961,776	78,110	-	9,039,886
Plant and equipment - sewer system	10,240,903	172,098	-	10,413,001
Autos and office equipment	786,676	83,187	(6,854)	863,009
Totals	<u>20,191,437</u>	<u>615,574</u>	<u>(32,001)</u>	<u>20,775,010</u>
Less accumulated depreciation:				
Plant and equipment - water system	4,777,267	259,195	-	5,036,462
Plant and equipment - sewer system	5,277,498	304,155	-	5,581,653
Autos and office equipment	532,130	59,896	(6,854)	585,172
Total accumulated depreciation	<u>10,586,895</u>	<u>623,246</u>	<u>(6,854)</u>	<u>11,203,287</u>
Business-type activities, capital assets, net	<u>\$ 9,604,542</u>	<u>\$ (7,672)</u>	<u>\$ (25,147)</u>	<u>\$ 9,571,723</u>

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 183,784
Police	96,484
Streets	473,522
Park and recreation	<u>72,473</u>
Total depreciation expense	<u>\$ 826,263</u>

(6) Accounts, Salaries, and Other Payables

The accounts, salaries, and other payables consisted of the following at June 30, 2017:

	Governmental Activities	Business-Type Activities	Total
Accounts	\$ 251,243	\$ 179,406	\$ 430,649
Sales tax	-	2,987	2,987
Accrued payroll	40,846	7,173	48,019
Payroll withholdings	36,703	6,568	43,271
Retainage payable	33,994	13,725	47,719
Contingent liabilities	30,107	-	30,107
Accrued interest payable	<u>32,688</u>	<u>-</u>	<u>32,688</u>
Totals	<u>\$ 425,581</u>	<u>\$ 209,859</u>	<u>\$ 635,440</u>

(7) Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the City of BreauX Bridge, Louisiana for the year ended June 30, 2017. The bonds and revenue column relates to governmental activities and are therefore paid by the debt service funds. The utility revenue bonds column relates to business-type activities, and the payments are made from the enterprise fund.

	Bonds & Revenue	Utility Revenue	Total
Long-term debt at July 1, 2016	\$ 5,465,000	\$ -	\$ 5,465,000
Debt assumed	-	231,217	231,217
Debt retired	<u>(675,000)</u>	<u>-</u>	<u>(675,000)</u>
Long-term debt at June 30, 2017	<u>\$ 4,790,000</u>	<u>\$ 231,217</u>	<u>\$ 5,021,217</u>

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Long-term debt at June 30, 2017 is comprised of the following:

Street improvement bonds

\$3,000,000 Certificate of Indebtedness, Series 2008, due in annual installments of \$140,000 to \$270,000; from June 1, 2009 to June 1, 2023; interest rate of 2.75 percent; payable from general revenues of the City. \$ 1,455,000

\$1,000,000 Certificate of Indebtedness, Series 2010, due in annual installments of \$85,000 to \$120,000; from June 1, 2011 to June 1, 2020; interest rate of 3.34 percent; payable from general revenues of the City. \$ 345,000

Limited tax bonds

\$1,000,000 Limited Tax Bonds, Series 2010, due in annual installments of \$85,000 to \$120,000; from March 1, 2011 to March 1, 2020; interest rate of 3.25 percent; payable from property tax revenues of the City. \$ 345,000

\$225,000 Limited Tax Bonds, Series 2015, due in annual installments of \$20,000 to \$25,000; from March 1, 2016 to March 1, 2026; interest rate of 2.35 percent; payable from property tax revenues of the City. \$ 185,000

Revenue bonds

\$2,700,000 Revenue Bonds, Series 2015, due in annual installments of \$240,000 to \$305,000; from September 1, 2016 to September 1, 2025, interest rate of 2.35 percent; payable from sales tax revenues of Sales Tax District No. 1. \$ 2,460,000

\$8,000,000 Utilities Revenue Bonds, Series 2017, due in annual installments of \$365,000 to \$437,000; from January 1, 2018 to January 1, 2037, interest rate of 4.50 percent; payable from the net revenues of the combined water and sewer systems of the City. \$ 231,217

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

The annual requirements to amortize all debt outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 926,217	\$ 122,085	\$ 1,048,302
2019	725,000	102,697	827,697
2020	750,000	82,527	832,527
2021	535,000	61,576	596,576
2022	555,000	47,886	602,886
2023-2026	1,530,000	68,819	1,598,819
Totals	<u>\$ 5,021,217</u>	<u>\$ 485,590</u>	<u>\$ 5,506,807</u>

(8) Dedication of Sales Tax Revenues

A sales and use tax of 1 percent was levied as of May 1, 1971 after approval by the registered voters of the City of Breaux Bridge. Revenues to be derived from the tax are dedicated to: constructing, acquiring, extending, improving, operating and maintaining waterworks, garbage and waste disposal facilities, streets and bridges, including incidental drainage in connection therewith, and recreational facilities; and purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, improvements and facilities. The tax can also be used to fund payment of the City's public improvement bonds.

Another sales and use tax of 1 percent was levied as of January 1, 2009. This additional sales and use tax is in the Sales Tax District No. 1 of the City of Breaux Bridge. Revenues to be derived from the tax were dedicated to constructing, improving, and maintaining infrastructure, or to promote economic development, or funded into bonds for such purposes. On June 5, 2012, a new law was passed to rededicate these monies as follows:

- 20% for the repairs and maintenance of the City's infrastructure which serves property located within the municipal limits in accordance with an Annual Plan for Repairs and Maintenance of Municipality Infrastructure.
- 80% for new construction of infrastructure within the City of Breaux Bridge, or for the substantial improvement of existing infrastructure within the municipal limits, all according to a Master Plan for the Construction of Municipal Infrastructure.

Effective July 1, 2016, the percentages noted above changed from 20% / 80% to 50% / 50%.

(9) Enterprise Fund Operations

Operations of the City's Utility System consist of water and sewerage utilities. Operating expenses which are not directly chargeable to the individual departments are allocated to the departments on the basis of number of utility customers and managerial estimates.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Operating results of the individual utilities were as follows:

	Year Ended June 30,	Charges for Services	Miscellaneous Operating Revenues	Other Operating Expenses	Operating Income (Loss)
Water utility	2017	\$ 1,611,090	\$ 95,504	\$ 1,597,742	\$ 108,852
Sewerage system	2017	\$ 920,864	\$ 54,589	\$ 651,059	\$ 324,394

At June 30, 2017, the City was furnishing utility service to the following number of customers:

Water customers	3,131
Sewer customers	2,675

(10) Interfund Transactions

A. Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2017:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Governmental Funds:		
General Fund	\$ 61,106	\$ 975,000
District Sales Tax Special Revenue Fund	-	7,745
Capital Projects Fund	982,745	-
Enterprise Fund:		
Utility Fund	-	61,106
Non-major Funds	-	-
Total	<u>\$ 1,043,851</u>	<u>\$ 1,043,851</u>

Garbage fees were not yet paid at year-end, causing the balance as noted above. Also, monies received by the general fund needing to be spent by other funds were not yet transferred at year-end. These balances are expected to be paid within the next fiscal year.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. Interfund transfers

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

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
Major Funds:		
Governmental Funds:		
General Fund	\$ 2,600,000	\$ 1,119,442
Sales Tax Special Revenue Fund	-	2,521,242
District Sales Tax Special Revenue Fund	-	2,170,630
Capital Projects Fund	2,415,000	
Enterprise Fund:		
Utility Fund	1,280,000	1,300,000
Non-major Funds	<u>816,314</u>	<u>-</u>
Total	<u>\$ 7,111,314</u>	<u>\$ 7,111,314</u>

Transfers made to the general fund are for the normal operations of the City. The amounts each fund will transfer are calculated as part of the budget preparation process. These amounts reflect each funds' proportionate share of expenses paid out of the general fund. Additional transfers made from the special revenue funds are for recreational facilities, maintenance of public works, and funding payment of the bonds.

(11) Ad Valorem Taxes

For the year ended June 30, 2017, taxes of 4.49 mills were levied on property with assessed valuations totaling \$65,385,562 and were dedicated as follows:

General corporate purposes	4.49 mills
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Total taxes levied were \$293,582 of which \$21,933 had not been collected at June 30, 2017. The taxes are levied and assessed on or about October and November, respectively, of each year.

Tax bills are mailed in December, become liens on December 31, and are delinquent if unpaid as of March 1. The majority of collections occur in the months of December through February.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(12) Restricted Assets - Utility Fund

Restricted assets were composed of savings accounts at June 30, 2017 and were restricted as follows:

Customers' deposits	<u>\$ 196,941</u>
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(13) Compensation of City Officials

A detail of compensation paid to City officials for the year ended June 30, 2017 follows:

Ricky Calais, Mayor	<u>\$ 62,500</u>
Aldermen:	
Howard Alexander	\$ 10,200
Glenn Michael Angelle	10,200
Gary Champagne	10,200
Brenda Castille Hobbs	10,200
Ernest Ledet	<u>10,200</u>
 Total	 <u>\$ 51,000</u>
 Corando Cantu	 <u>\$ 57,803</u>
 Randy Angelle, Judge	 <u>\$ 6,600</u>
 Jerry Frederick, City Marshal	 <u>\$ 19,600</u>

(14) Risk Management

The City is exposed to risks of loss in the areas of general and auto liability, property hazards, health care, and workers' compensation. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current fiscal year nor have settlements exceeded coverage during the current year or preceding two years.

(15) Deferred Compensation Plan

Certain employees of the City participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(16) On-behalf Payments

The City recognized \$113,549 as a revenue and an expenditure for on-behalf salary payments made by the state of Louisiana.

(17) Contingent Liabilities

The City has determined that \$30,107 is a reasonable estimate of potential liability related to some of the claims filed. Accordingly, \$30,107 has been accrued at June 30, 2017 and is reflected in accounts, salaries and other payables. There are other claims that are uncertain / premature for estimation of possible loss. Therefore, no accrual has been recorded for these claims.

(18) Act 706-Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Entity Head

Under Act 706, the City of Breaux Bridge is required to disclose the compensation, reimbursements, benefits, and other payments made to the mayor, in which the payments are related to the position. The following is a schedule of payments made to the mayor for the year ended June 30, 2017.

Entity head: Ricky Calais, Mayor

Salary	\$ 62,500
Deferred compensation	2,856
Allowance - vehicle and cell phone	<u>11,400</u>
Total	<u>\$ 76,756</u>

(19) Pension Plan/GASB 68

The City of Breaux Bridge participates in the Municipal Police Employees' Retirement System, a cost-sharing multiple-employer defined benefit pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Police Employees' Retirement System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Summary of significant accounting policies:

The Municipal Police Employees' Retirement System (the System) prepares its employer schedules in accordance with Governmental Accounting Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB Statement No. 68 established

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. It provides methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. It also provides methods to calculate participating employer's proportionate share of net pension liability, deferred inflows, deferred outflows, pension expense and amortization periods for deferred inflows and deferred outflows.

Basis of accounting:

The System's employer schedules were prepared using the accrual basis of accounting. Employer contributions, for which the employer allocations are based, are recognized in the period in which the employee is compensated for services performed.

System employees:

The System is not allocated a proportionate share of the net pension liability related to its employees. The net pension liability attributed to the System's employees is allocated to the remaining employers based on their respective employer allocation percentage.

Plan fiduciary net position:

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

Plan description:

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

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Benefits provided:

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

Membership prior to January 1, 2013

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

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

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

Membership commencing January 1, 2013

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

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

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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.

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 earn interest at the money market rate.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2016, total contributions due for employers and employees were 39.5%. 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 29.5% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 31.5% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 32% and 7.5%, respectively.

Non-employer contributions:

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2016, and excluded from pension expense. The City recognized \$20,217 of nonemployer contribution revenue.

Schedule of employer allocations:

The schedule of employer allocations reports the historical employer contributions in addition to the employer allocation percentages for each participating employer. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Police Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of pension amounts.

The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the year ended June 30, 2016 as compared to the total of all employers' contributions to the System for during the year ended June 30, 2016.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

At June 30, 2017, the City reported a liability of \$1,018,507 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on 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, 2016, the City's proportion was 0.108666%, which was a decrease of 0.010644% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$55,113 less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$13,807.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ 16,202
Changes of assumptions	49,520	61
Net difference between projected and actual earnings on pension plan investments	156,721	-
Change in proportion and differences between employer contributions and proportionate share of contributions	(13,862)	134,784
Employer contributions subsequent to the measurement date	<u>117,620</u>	<u>-</u>
Total	<u>\$ 309,999</u>	<u>\$ 151,047</u>

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Deferred outflows of resources of \$117,620 related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ended	
6/30/2018	\$ (46,455)
6/30/2019	5,559
6/30/2020	42,417
6/30/2021	39,811

Contributions – proportionate share:

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

Actuarial methods and assumptions:

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

The actuarial assumptions used in the June 30, 2016 valuation were based on the assumptions used in the June 30, 2016 actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Valuation Date	June 30, 2016	
Actuarial Cost Method	Entry Age Normal Cost	
Investment Rate of Return	7.5%, net of investment expense	
Expected Remaining Service lives	2016 - 4 years 2015 - 4 years 2014 - 4 years	
Inflation Rate	2.875%	
Salary increases, including inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Mortality	<p>RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.</p> <p>RP-2000 Disabled Lives Tables set back 5 years for males and set back 3 years for disabled annuitants.</p> <p>RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.</p>	
Cost of Living Adjustments	<p>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.</p>	

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

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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 used 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Portfolio Real Rate of Return
Equity	53.00%	3.69%
Fixed Income	21.00%	0.49%
Alternative	20.00%	1.11%
Other	6.00%	0.21%
Totals	100.00%	5.50%
Inflation		2.75%
Expected Nominal Return		8.25%

Discount rate:

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation for 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 BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate as of June 30, 2016.

	Changes in Discount Rate		
	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Decrease 8.5%
Employer's Proportionate share of Net Pension Liability	\$ 1,357,757	\$ 1,018,507	\$ 733,675

Change in net pension liability:

The changes in the net pension liability for the year ended June 30, 2016 were recognized in the current reporting period as pension expense except as follows:

- a. Differences between expected and actual experience: Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual experience resulted in a deferred inflow of resources in the amount of \$16,202 for the year ended June 30, 2017.
- b. Changes of assumptions or other inputs: Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. Changes of assumptions or other inputs resulted in a deferred inflow of resources in the amount of \$61 and in a deferred outflow of resources in the amount of \$49,520 for the year ended June 30, 2017.
- c. Differences between projected and actual investment earnings: Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred outflow of resources in the amount of \$156,721 for the year ended June 30, 2017.

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to Basic Financial Statements (Continued)

- d. Change in proportion: Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion resulted in a deferred outflow of (\$13,862) and a deferred inflow of \$134,784 for the year ended June 30, 2017.

Retirement system audit report:

Municipal Police Employees' Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2016. Access to the audit report can be found on the System's website: www.lampers.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

Estimates:

The process of preparing the schedule of employer allocations and schedule of pension amounts in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Accordingly, actual results may differ from estimated amounts.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF BREAUX BRIDGE
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 713,500	\$ 729,091	\$ 726,176	\$ (2,915)
Licenses and permits	395,000	451,423	511,862	60,439
Grants	5,000	5,733	6,377	644
Intergovernmental	536,530	1,512,016	1,597,425	85,409
Charges for services	911,500	918,701	911,198	(7,503)
Fines - City Court	130,000	139,822	179,826	40,004
Miscellaneous	99,300	244,502	375,500	130,998
Total revenues	<u>2,790,830</u>	<u>4,001,288</u>	<u>4,308,364</u>	<u>307,076</u>
Expenditures:				
General government	1,781,857	1,842,383	1,813,673	28,710
Streets and bridges	735,400	952,966	829,836	123,130
Sanitation	882,000	905,792	908,247	(2,455)
Public safety - Police	1,836,478	1,839,640	1,735,708	103,932
Culture and recreation	344,980	351,096	332,077	19,019
Capital outlay	220,000	188,017	338,314	(150,297)
Total expenditures	<u>5,800,715</u>	<u>6,079,894</u>	<u>5,957,855</u>	<u>122,039</u>
Deficiency of revenues over expenditures	<u>(3,009,885)</u>	<u>(2,078,606)</u>	<u>(1,649,491)</u>	<u>429,115</u>
Other financing sources: (uses):				
Transfer from Sales Tax Fund	1,800,000	1,300,000	1,300,000	-
Transfer from Utility Fund	1,100,000	1,300,000	1,300,000	-
Transfer to Capital Projects	-	(950,000)	(975,000)	(25,000)
Transfer to Series 2010 Debt Service Fund	(144,443)	(144,442)	(144,442)	-
Total other financing sources	<u>2,755,557</u>	<u>1,505,558</u>	<u>1,480,558</u>	<u>(25,000)</u>
Net change in fund balances	(254,328)	(573,048)	(168,933)	404,115
Fund balance, beginning	<u>425,790</u>	<u>785,313</u>	<u>785,313</u>	<u>-</u>
Fund balance, ending	<u>\$ 171,462</u>	<u>\$ 212,265</u>	<u>\$ 616,380</u>	<u>\$ 404,115</u>

CITY OF BREAUX BRIDGE
Sales Tax Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,297,400	\$ 2,293,004	\$ 2,389,999	\$ 96,995
Total revenues	2,297,400	2,293,004	2,389,999	96,995
Expenditures:				
General government:				
Collection fees	32,250	31,829	38,196	(6,367)
Computer expense	1,500	1,500	434	1,066
Miscellaneous	12,500	500	-	500
Legal and professional fees	5,500	5,500	4,561	939
Total expenditures	51,750	39,329	43,191	(3,862)
Excess of revenues over expenditures	2,245,650	2,253,675	2,346,808	93,133
Other financing sources (uses):				
Transfer to General Fund	(1,550,000)	(1,050,000)	(1,050,000)	-
Transfer to Utility Fund	(1,100,000)	(1,100,000)	(1,100,000)	-
Transfer to 2008 Debt Service	(385,786)	(377,902)	(371,242)	6,660
Total other financing uses	(3,035,786)	(2,527,902)	(2,521,242)	6,660
Net change in fund balances	(790,136)	(274,227)	(174,434)	99,793
Fund balance, beginning	1,191,005	1,191,270	1,191,270	-
Fund balance, ending	\$ 400,869	\$ 917,043	\$ 1,016,836	\$ 99,793

CITY OF BREAUX BRIDGE
District Sales Tax Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 844,000	\$ 862,316	\$ 863,444	\$ 1,128
Total revenues	844,000	862,316	863,444	1,128
Expenditures:				
General government:				
Collection fees	12,650	13,023	11,522	1,501
Total expenditures	12,650	13,023	11,522	1,501
Excess of revenues over expenditures	831,350	849,293	851,922	2,629
Other financing sources (uses):				
Transfer to General Fund	(250,000)	(250,000)	(250,000)	-
Transfer to Utility Fund	(180,000)	(180,000)	(180,000)	-
Transfer to Capital Projects	(1,440,000)	(1,440,000)	(1,440,000)	-
Transfer to 2015 Debt Service	(300,630)	(300,630)	(300,630)	-
Total other financing uses	(2,170,630)	(2,170,630)	(2,170,630)	-
Net change in fund balances	(1,339,280)	(1,321,337)	(1,318,708)	2,629
Fund balance, beginning	3,976,304	4,060,330	4,060,330	-
Fund balance, ending	\$ 2,637,024	\$ 2,738,993	\$2,741,622	\$ 2,629

CITY OF BREAUX BRIDGE, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
For the Year Ended June 30, 2017

<u>Year ended June 30,</u>	<u>Employer Proportion of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.129888%	\$ 812,590	\$ 395,899	205.2%	75.1%
2016	0.119310%	\$ 934,669	\$ 319,145	292.9%	70.7%
2017	0.108666%	\$ 1,018,507	\$ 304,397	334.6%	66.0%

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

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

CITY OF BREAUX BRIDGE, LOUISIANA

Schedule of Employer Contributions
For the Year Ended June 30, 2017

<u>Year ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2015	\$ 100,531	\$ 100,531	\$ -	\$ 319,145	31.50%
2016	\$ 89,823	\$ 89,823	\$ -	\$ 304,397	29.50%
2017	\$ 117,620	\$ 117,620	\$ -	\$ 370,420	31.75%

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

CITY OF BREAUX BRIDGE, LOUISIANA

Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

(1) Budgets and Budgetary Accounting

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

1. The Mayor submits, no later than 15 days prior to the beginning of each fiscal year, to the Board of Aldermen a proposed operating budget.
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. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Mayor.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Board of Aldermen.

(2) Pension Plan

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF BREAUX BRIDGE, LOUISIANA
Enterprise Fund
Utility Fund

Statement of Revenues, Expenses and Changes in Retained Earnings
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues:			
Charges for services -			
Utility sales	\$ 2,492,820	\$ 2,531,954	\$ 39,134
Installation and reconnection charges	45,593	45,653	60
Miscellaneous	<u>97,064</u>	<u>104,440</u>	<u>7,376</u>
Total operating revenues	<u>2,635,477</u>	<u>2,682,047</u>	<u>46,570</u>
Operating expenses:			
Direct expenses	1,555,400	1,706,437	(151,037)
Allocated expenses	<u>872,612</u>	<u>542,364</u>	<u>330,248</u>
Total operating expenses	<u>2,428,012</u>	<u>2,248,801</u>	<u>179,211</u>
Operating income (loss)	<u>207,465</u>	<u>433,246</u>	<u>225,781</u>
Nonoperating revenues (expenses):			
Grant Funds	30,000	30,000	-
FEMA flood reimbursement	28,186	28,186	-
Interest on investments	1,824	3,089	1,265
Miscellaneous	<u>2,415</u>	<u>2,747</u>	<u>332</u>
Total nonoperating revenue	<u>62,425</u>	<u>64,022</u>	<u>1,597</u>
Loss before transfers	<u>269,890</u>	<u>497,268</u>	<u>227,378</u>
Capital contributions	-	574,287	574,287
Operating transfers in	1,280,000	1,280,000	-
Operating transfers out	<u>(1,300,000)</u>	<u>(1,300,000)</u>	<u>-</u>
Total operating transfers	<u>(20,000)</u>	<u>554,287</u>	<u>574,287</u>
Net income	249,890	1,051,555	801,665
Retained earnings, beginning of year	<u>10,493,307</u>	<u>10,493,307</u>	<u>-</u>
Retained earnings, end of year	<u>\$ 10,743,197</u>	<u>\$ 11,544,862</u>	<u>\$ 801,665</u>

<u>Water System</u>	<u>Sewerage System</u>
\$ 1,611,090	\$ 920,864
29,049	16,604
<u>66,455</u>	<u>37,985</u>
<u>1,706,594</u>	<u>975,453</u>
1,161,956	544,481
<u>435,786</u>	<u>106,578</u>
<u>1,597,742</u>	<u>651,059</u>
<u>\$ 108,852</u>	<u>\$ 324,394</u>

**COMPLIANCE
INTERNAL CONTROL
AND
OTHER INFORMATION**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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

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* A Professional Accounting Corporation

Retired:
Conrad O. Chapman, CPA* 2006

The Honorable Ricky Calais, Mayor
and Members of the Board of Aldermen
City of Breux Bridge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Breux Bridge, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Breux Bridge, Louisiana's basic primary government financial statements and have issued our report thereon dated October 19, 2017. The report on the City was adverse because the financial statements do not include financial data of the component units of the City. The financial statements of the omitted component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these omitted component units.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the

accompanying schedule of prior and current year audit findings and management's corrective action plan as items 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Breaux Bridge, 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 Breaux Bridge, Louisiana's Response to Findings

The City of Breaux Bridge, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of prior and current year audit findings and management's corrective action plan. The City of Breaux Bridge, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
October 19, 2017

CITY OF BREAUX BRIDGE, LOUISIANA

Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan
For the Year Ended June 30, 2017

I. Prior Year Findings:

Internal Control Over Financial Reporting

2016-001 – Inadequate Segregation of Accounting Functions

Finding: Due to the small number of employees, the City did not have adequate segregation of functions within the accounting system.

Status: Unresolved. See item 2017-001.

2016-002 – Inadequate Controls Over Financial Statement Preparation

Finding: The City does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Status: Unresolved. See item 2017-002.

Compliance

There were no findings that were required to be reported at June 30, 2016.

Management Letter Items

There were no findings that were required to be reported at June 30, 2016.

II. Current Year Findings and Management's Corrective Action Plan:

Internal Control Over Financial Reporting

2017-001 – Inadequate Segregation of Accounting Functions; Year Initially Occurred--Unknown

Condition and Criteria: The City did not have adequate segregation of functions within the accounting system.

Effect: This condition represents a material weakness in the internal control of the City.

Cause: The condition resulted because of the small number of employees in the accounting department.

Recommendation: No plan is considered necessary due to the fact that it would not be cost effective to implement a plan.

(continued)

CITY OF BREAUX BRIDGE, LOUISIANA

Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan (continued)
For the Year Ended June 30, 2017

Management's Corrective Action Plan: Mr. Ricky Calais, Mayor, determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

2017-002 – Inadequate Controls Over Financial Statement Preparation; Year Initially Occurred—
June 30, 2016

Condition and Criteria: The City does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Effect: This condition represents a material weakness in the internal control of the City.

Cause: The condition resulted because City personnel do not have the qualifications and training to apply GAAP in recording the entity's financial transactions or preparing the financial statements.

Recommendation: The City should consider outsourcing this task to its independent auditors and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Management's Corrective Action Plan: Mr. Ricky Calais, Mayor, has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Compliance

There are no findings that are required to be reported at June 30, 2017.

Management Letter Items

There are no findings that are required to be reported at June 30, 2017.

CITY OF BREAUX BRIDGE, LOUISIANA

Statewide Agreed-Upon Procedures Report

Year Ended June 30, 2017

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

* A Professional Accounting Corporation

Retired:

Conrad O. Chapman, CPA* 2006

To the Management of the City of Breaux Bridge,

We have performed the procedures enumerated below, which were agreed to by the management of the City of Breaux Bridge and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the City of Breaux Bridge's compliance with certain laws, regulations and best practices during the year ended June 30, 2017. Management of the City of Breaux Bridge is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Written Policies and Procedures

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

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

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

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

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

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

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

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

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

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

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

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

Board (or Finance Committee, if applicable)

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

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

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.

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

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes do not reference or include monthly budget-to-actual comparisons for the major funds; however, it was noted that budget-to-actual comparisons are given to board members with their monthly packets.

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

There was no deficit spending noted.

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

Obtained and reviewed the minutes of the managing board for the fiscal period noting that non-budgetary financial information was included.

Bank Reconciliations

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

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

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

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

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

Obtained bank statements and reconciliations for all months in the fiscal period noting no evidence of board member or management review.

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

Obtained bank statements and reconciliations for all months in the fiscal period noting no documentation of management's research for items that have been outstanding for more than 6 months.

Collections

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

Obtained listing of cash collection locations and management's representation that listing is complete

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

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

Written documentation was obtained. All persons collecting cash are bonded. One person who handles cash collections is also responsible for depositing the cash in the bank; the person who records the transactions can collect cash; and one person responsible for collecting cash reconciles the related bank account. No persons collecting cash share a cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Written documentation was obtained and addresses the functions noted above; however, the reconciliation process is not done by someone independent of cash collections.

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

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

Collection documentation was obtained and address the functions noted above; however, 10 of the deposits tested were not deposited within one day of receipt (seven were within two days, two were within three days, and one was within four days).

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

No exceptions noted.

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

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

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

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

Listing of disbursements and management's representation that the listing is complete was obtained

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

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

Examined supporting documentation for each of the 25 disbursements selected and found that purchases were initiated using a purchase order system, except for ten of them. However, the ten noted were recurring purchases that based on the City's policy, do not require purchase orders.

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

Examined supporting documentation for each of the 25 disbursements selected and found appropriate approval of purchase orders, with the exception of the ten noted above.

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

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

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

Written policies and procedures were obtained; however, policy does not prohibit person responsible for processing payments from adding vendors to disbursement system.

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

Written policies and procedures were obtained and address the functions noted above; however, two of the people with signatory authority can also initiate purchases.

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

Written policies and procedures were obtained and address the functions noted above. The persons with signatory authority have system access to print checks; however, all checks require two signatures.

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

No signature stamp is used.

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

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

Listing of active credit cards, bank debit cards, fuel cards and name of person who maintain possession of cards and management's representation that the listing is complete was obtained

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Listing was obtained and randomly selected 10 cards.

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

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

Monthly statements were obtained and address the functions noted above; however, Fuelman cards do not require approval due to the procedures used with these cards. Because each Fuelman card is assigned to a specific vehicle, and each employee has their own PIN for Fuelman card use, no prior approval is needed. Also, there was one credit card statement that had no evidence of review and approval.

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

No finance charges and/or late fees were assessed.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

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

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

Monthly statements were obtained and address the functions noted above; however, there was one credit charge that did not have a receipt. In addition, some of the Fuelman charges did not have receipts.

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

Monthly statements were obtained and address the functions noted above; however, because there was one credit card charge that had no supporting receipt, there was also no documentation of the public purpose. Also, because the Clerk approves transactions, not all of her purchases contain additional documentation.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted

Travel and Expense Reimbursement

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

Listing of travel and expense reimbursements by person and management's representation that the listing is complete was obtained

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

Policies were obtained. No amounts listed exceed GSA rates.

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

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

Expenses were paid in accordance with written policy.

- b) Report whether each expense is supported by:

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted

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

No exceptions noted

Contracts

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

Listing of all contracts in effect and management's representation that the listing is complete was obtained

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

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

One vendor selected did not have a written contract.

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

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

No noncompliance noted

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

Quotes were not obtained for the 1 contract that was not subject to the bid law.

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

One contract was amended to decrease cost by \$168,276.55. Another contract was amended to increase cost by \$41,480. The original terms of both contracts provided for the amendments.

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

No noncompliance noted for the 4 vendors with written contracts.

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

Proper approval noted for the 4 vendors with written contracts. Board approval is not required for the vendor that did not have a written contract.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Listing of employees with their related salaries and management's representation that the listing is complete was obtained

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

No exceptions noted

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

No exceptions noted

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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted

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

No exceptions noted

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

No exceptions noted

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

No exceptions noted

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

Retirement payments were late on several occasions based on deadlines provided by the payroll clerk.

Ethics (excluding nonprofits)

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

No exceptions noted

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

Management asserted that they have received no allegations during the fiscal period.

Debt Service (excluding nonprofits)

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

State Bond Commission approval was obtained.

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

All scheduled debt service payments were made and debt reserves were maintained as required by debt covenants.

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

Not applicable.

Other

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

Management has asserted that the entity did not have any misappropriations of public funds or assets.

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

Required notice was posted at the entity's premises; however, it was not posted on their website.

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

No exceptions noted

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the City of Breaux Bridge and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
October 19, 2017