

CITY OF ST. MARTINVILLE, LOUISIANA

Financial Report

Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Honorable Thomas Nelson, Mayor
and Members of the City Council
City of St. Martinville, 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 St. Martinville, 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 St. Martinville, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Martinville, 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 budgetary comparison information, schedule of funding progress, schedule of employer's share of net pension liability, schedule of employer contributions, and notes to the required supplementary information on pages 61 through 66 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 St. Martinville, Louisiana's basic financial statements. The nonmajor fund information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The financial data schedules are presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the financial data schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The nonmajor fund information presented as other supplementary information on pages 69 through 70 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 November 17, 2017, on our consideration of the City of St. Martinville, 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 St. Martinville, Louisiana's internal control over financial reporting and compliance.

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

Breaux Bridge, Louisiana
November 17, 2017

BASIC FINANCIAL STATEMENTS

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

CITY OF ST. MARTINVILLE

Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 271,212	\$ 37,415	\$ 308,627
Investments	-	250,841	250,841
Receivables, net	294,916	1,037,571	1,332,487
Sales tax receivable	132,277	-	132,277
Due from other governmental units	82,206	-	82,206
Due from others	-	1,224	1,224
Inventories	26,979	182,178	209,157
Prepaid items	57,682	20,219	77,901
Deposits	-	12,000	12,000
Total current assets	<u>865,272</u>	<u>1,541,448</u>	<u>2,406,720</u>
Noncurrent assets:			
Restricted assets:			
Cash, interest-bearing deposits and investments	1,318,309	354,090	1,672,399
Capital assets, net	<u>7,983,409</u>	<u>8,438,744</u>	<u>16,422,153</u>
Total noncurrent assets	<u>9,301,718</u>	<u>8,792,834</u>	<u>18,094,552</u>
Total assets	<u>10,166,990</u>	<u>10,334,282</u>	<u>20,501,272</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>740,891</u>	<u>265,684</u>	<u>1,006,575</u>
LIABILITIES			
Current liabilities:			
Accounts payable	209,422	552,151	761,573
Accrued expenses	109,966	51,819	161,785
Accrued interest payable	25,614	-	25,614
Contract payable	224,197	-	224,197
Retainage payable	59,593	-	59,593
Compensated absences payable	156,358	95,723	252,081
Unearned revenue	22,248	-	22,248
Internal balances	(134,912)	134,912	-
Customer deposits	-	349,880	349,880
Capital lease payable	-	42,577	42,577
Bonds payable	<u>210,000</u>	<u>-</u>	<u>210,000</u>
Total current liabilities	<u>882,486</u>	<u>1,227,062</u>	<u>2,109,548</u>
Noncurrent liabilities:			
Capital lease payable	-	26,345	26,345
Postemployment benefit obligation payable	1,529,076	532,172	2,061,248
Bonds payable	3,332,640	-	3,332,640
Net pension liability	<u>1,582,769</u>	<u>640,037</u>	<u>2,222,806</u>
Total noncurrent liabilities	<u>6,444,485</u>	<u>1,198,554</u>	<u>7,643,039</u>
Total liabilities	<u>7,326,971</u>	<u>2,425,616</u>	<u>9,752,587</u>
DEFERRED INFLOWS OF RESOURCES	<u>111,680</u>	<u>11,916</u>	<u>123,596</u>
NET POSITION			
Net investment in capital assets	5,525,842	8,369,822	13,895,664
Restricted	155,510	4,210	159,720
Unrestricted (deficit)	<u>(2,212,122)</u>	<u>(211,598)</u>	<u>(2,423,720)</u>
Total net position	<u>\$ 3,469,230</u>	<u>\$ 8,162,434</u>	<u>\$ 11,631,664</u>

The accompanying notes are an integral part of this statement.

CITY OF ST. MARTINVILLE

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	\$ 944,283	\$ -	\$ -	\$ -	\$ (944,283)	\$ -	\$ (944,283)
Public safety	1,500,435	45,907	86,393	-	(1,368,135)	-	(1,368,135)
Public works	1,843,709	585,195	775,563	-	(482,951)	-	(482,951)
Culture and recreation	350,813	40,991	-	-	(309,822)	-	(309,822)
Tourism	259,672	30,464	-	-	(229,208)	-	(229,208)
Urban redevelopment housing	351,533	-	349,049	-	(2,484)	-	(2,484)
Interest on long-term debt	90,290	-	-	-	(90,290)	-	(90,290)
Total governmental activities	<u>5,340,735</u>	<u>702,557</u>	<u>1,211,005</u>	<u>-</u>	<u>(3,427,173)</u>	<u>-</u>	<u>(3,427,173)</u>
Business-type activities:							
Electric	3,802,390	4,716,298	-	-	-	913,908	913,908
Water	787,979	517,139	-	-	-	(270,840)	(270,840)
Wastewater	690,359	497,901	-	220,697	-	28,239	28,239
Total business-type activities	<u>5,280,728</u>	<u>5,731,338</u>	<u>-</u>	<u>220,697</u>	<u>-</u>	<u>671,307</u>	<u>671,307</u>
Total	<u>\$ 10,621,463</u>	<u>\$ 6,433,895</u>	<u>\$ 1,211,005</u>	<u>\$ 220,697</u>	<u>(3,427,173)</u>	<u>671,307</u>	<u>(2,755,866)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					226,586	-	226,586
Sales and use taxes, levied for general purposes					1,531,673	-	1,531,673
Occupational					254,359	-	254,359
Franchise taxes					93,323	-	93,323
Beer taxes					11,729	-	11,729
Interest and investment earnings					1,974	4,762	6,736
Donations					309	-	309
Miscellaneous					702,228	12,496	714,724
Intergovernmental					361,464	-	361,464
Transfers					1,078,135	(1,078,135)	-
Total general revenues and transfers					<u>4,261,780</u>	<u>(1,060,877)</u>	<u>3,200,903</u>
Change in net position					834,607	(389,570)	445,037
Net position - July 1, 2016					<u>2,634,623</u>	<u>8,552,004</u>	<u>11,186,627</u>
Net position - June 30, 2017					<u>\$ 3,469,230</u>	<u>\$ 8,162,434</u>	<u>\$11,631,664</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.

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 and trust funds).

Enterprise Fund

Utility Fund -

To account for the provision of electricity, water, and wastewater services to residents of the City and operations of the electrical, water and wastewater plants.

NONMAJOR FUNDS

The Section 8 Fund and Debt Service Fund are presented as nonmajor funds. Information about these funds can be found on page 68.

CITY OF ST. MARTINVILLE

Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and interest-bearing deposits	\$ 289,406	\$ 1,146,890	\$ 153,225	\$ 1,589,521
Receivables:				
Due from other governmental units	81,965	-	241	82,206
Due from other funds	134,913	-	2,808	137,721
Grant	-	36,303	-	36,303
Other	22,894	235,719	-	258,613
Sales tax	132,277	-	-	132,277
Inventory	26,979	-	-	26,979
Prepaid items	57,682	-	-	57,682
Total assets	<u>\$ 746,116</u>	<u>\$ 1,418,912</u>	<u>\$ 156,274</u>	<u>\$ 2,321,302</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 159,311	\$ 50,049	\$ 62	\$ 209,422
Accrued expenses	109,264	-	702	109,966
Contract payable	-	224,197	-	224,197
Retainage payable	-	59,593	-	59,593
Unearned revenue	22,248	-	-	22,248
Due to other funds	2,809	-	-	2,809
Total liabilities	<u>293,632</u>	<u>333,839</u>	<u>764</u>	<u>628,235</u>
Fund balances -				
Nonspendable	84,661	-	-	84,661
Restricted	-	1,085,073	155,510	1,240,583
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	367,823	-	-	367,823
Total fund balances	<u>452,484</u>	<u>1,085,073</u>	<u>155,510</u>	<u>1,693,067</u>
Total liabilities and fund balances	<u>\$ 746,116</u>	<u>\$ 1,418,912</u>	<u>\$ 156,274</u>	<u>\$ 2,321,302</u>

The accompanying notes are an integral part of this statement.

CITY OF ST. MARTINVILLE

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 \$ 1,693,067

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	\$ 787,765	
Construction in progress	1,861,198	
Buildings and improvements, net of \$3,728,736 accumulated depreciation	2,140,700	
Equipment and vehicles, net of \$744,089 accumulated depreciation	488,349	
Infrastructure, net of \$616,645 accumulated depreciation	<u>2,705,397</u>	7,983,409

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

Bonds payable and underlying accrued interest	\$ (3,568,254)	
Net postemployment benefit obligation payable	(1,529,076)	
Compensated absences	(156,358)	
Net pension liability	(1,582,769)	
Deferred outflows of resources	740,891	
Deferred inflows of resources	<u>(111,680)</u>	<u>(6,207,246)</u>

Total net position of governmental activities at June 30, 2017 \$ 3,469,230

CITY OF ST. MARTINVILLE

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

	General	Capital Projects Fund	Nonmajor Funds	Total
Revenues:				
Taxes	\$1,658,801	\$ -	\$ 99,458	\$ 1,758,259
Licenses and permits	347,682	-	-	347,682
Intergovernmental	659,886	1,137,027	349,049	2,145,962
Charges for services	656,650	-	-	656,650
Fines and forfeits	45,907	-	-	45,907
Investment income	1,286	606	82	1,974
Donation income	309	-	-	309
Miscellaneous	91,919	9,009	-	100,928
Total revenues	<u>3,462,440</u>	<u>1,146,642</u>	<u>448,589</u>	<u>5,057,671</u>
Expenditures:				
Current -				
General government	857,125	-	511	857,636
Public safety	1,411,863	-	-	1,411,863
Public works	1,698,212	-	-	1,698,212
Recreation	266,949	-	-	266,949
Tourism	176,864	-	-	176,864
Urban redevelopment and housing	-	-	351,226	351,226
Debt service	-	-	378,000	378,000
Capital outlay	77,191	1,728,255	-	1,805,446
Total expenditures	<u>4,488,204</u>	<u>1,728,255</u>	<u>729,737</u>	<u>6,946,196</u>
Deficiency of revenues over expenditures	<u>(1,025,764)</u>	<u>(581,613)</u>	<u>(281,148)</u>	<u>(1,888,525)</u>
Other financing sources (uses):				
Proceeds - DEQ bonds	-	344,081	-	344,081
Operating transfers in	1,075,000	74,703	257,944	1,407,647
Operating transfers out	<u>(317,600)</u>	<u>(11,912)</u>	<u>-</u>	<u>(329,512)</u>
Total other financing sources	<u>757,400</u>	<u>406,872</u>	<u>257,944</u>	<u>1,422,216</u>
Net changes in fund balances	(268,364)	(174,741)	(23,204)	(466,309)
Fund balances, beginning	<u>720,848</u>	<u>1,259,814</u>	<u>178,714</u>	<u>2,159,376</u>
Fund balances, ending	<u>\$ 452,484</u>	<u>\$ 1,085,073</u>	<u>\$ 155,510</u>	<u>\$ 1,693,067</u>

The accompanying notes are an integral part of this statement.

CITY OF ST. MARTINVILLE

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 \$ (466,309)

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	\$ 1,805,446	
Depreciation expense for the year ended June 30, 2017	<u>(359,763)</u>	1,445,683

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	\$ 283,000	
Bond proceeds	(344,081)	
Accrued interest payable	(1,516)	
Increase in postemployment benefit obligation payable	(25,164)	
Amortization of bond premium	3,194	
Compensated absences payable	5,691	
Effect of GASB 68 (revenues less expenses)	<u>(65,891)</u>	<u>(144,767)</u>

Total changes in net position at June 30, 2017 per Statement of Activities \$ 834,607

CITY OF ST. MARTINVILLE

Statement of Net Position
 Proprietary Fund
 June 30, 2017

ASSETS

Current assets:

Cash and interest-bearing deposits	\$ 37,415
Investments	250,841
Receivables:	
Accounts	1,036,704
Accrued interest	867
Due from others	1,224
Inventory	182,178
Prepaid items	20,219
Deposits	<u>12,000</u>
Total current assets	<u>1,541,448</u>

Noncurrent assets:

Restricted assets -

Cash and interest-bearing deposits	38,362
Investments	<u>315,728</u>
Total restricted assets	<u>354,090</u>

Capital assets -

Land	482,737
Buildings and improvements, net	11,988
Equipment, net	241,597
Sewer and water plant, net	7,242,281
Electric lines and meters, net	282,945
Construction in progress	<u>177,196</u>
Total noncurrent assets	<u>8,438,744</u>

Total assets

10,334,282

DEFERRED OUTFLOWS OF RESOURCES

265,684

LIABILITIES

Current liabilities:

Accounts payable	552,151
Accrued expenses	51,819
Compensated absences	95,723
Due to other funds	134,912
Capital lease payable	42,577
Customer deposits	<u>349,880</u>
Total current liabilities	<u>1,227,062</u>

Noncurrent liabilities:

Capital lease payable	26,345
Postemployment benefit obligation payable	532,172
Net pension liability	<u>640,037</u>
Total noncurrent liabilities	<u>1,198,554</u>
Total liabilities	<u>2,425,616</u>

DEFERRED INFLOWS OF RESOURCES

11,916

NET POSITION

Net investment in capital assets	8,369,822
Restricted for utility deposits	4,210
Unrestricted (deficit)	<u>(211,598)</u>
Total net position	<u>\$ 8,162,434</u>

The accompanying notes are an integral part of this statement.

CITY OF ST. MARTINVILLE

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

Operating revenues:	
Charges for services -	
Electricity	\$ 4,599,287
Water	504,309
Sewer	485,549
Miscellaneous	116,069
Miscellaneous	<u>26,124</u>
Total operating revenues	<u>5,731,338</u>
Operating expenses:	
Cost of services rendered -	
Electricity	3,424,658
Water	609,052
Sewer	518,286
General administrative	351,752
Depreciation	<u>376,980</u>
Total operating expenses	<u>5,280,728</u>
Operating income	<u>450,610</u>
Nonoperating revenues (expenses):	
Investment income	4,762
Interest expense	(3,536)
Grant revenue	220,697
Nonemployer contribution revenue	19,262
Loss on disposition	<u>(3,230)</u>
Total nonoperating revenues	<u>237,955</u>
Income before contributions and transfers	688,565
Transfers out	<u>(1,078,135)</u>
Change in net position	(389,570)
Net position, beginning	<u>8,552,004</u>
Net position, ending	<u>\$ 8,162,434</u>

The accompanying notes are an integral part of this statement.

CITY OF ST. MARTINVILLE

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

Cash flows from operating activities:	
Receipts from customers	\$ 5,634,653
Payments to suppliers	(4,155,137)
Payments to employees	<u>(650,611)</u>
Net cash provided by operating activities	<u>828,905</u>
Cash flows from noncapital financing activities:	
Decrease in customer deposits, net of refunds	(3,770)
Nonemployer contribution	19,262
Transfers out	<u>(1,078,135)</u>
Net cash used by noncapital financing activities	<u>(1,062,643)</u>
Cash flows from capital and related financing activities:	
Purchase and construction of capital assets	42,352
Principal payments	(43,889)
Proceeds from grant	106,699
Interest paid	<u>(3,536)</u>
Net cash provided by capital and related financing activities	<u>101,626</u>
Cash flows from investing activities:	
Purchase of investments	(566,569)
Maturities of investments	576,049
Investment income	<u>4,762</u>
Net cash provided by investing activities	<u>14,242</u>
Net decrease in cash and cash equivalents	(117,870)
Cash and cash equivalents, beginning of period	<u>193,647</u>
Cash and cash equivalents, end of period	<u>\$ 75,777</u>

(continued)

CITY OF ST. MARTINVILLE

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	\$ 450,610
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	376,980
Changes in current assets and liabilities:	
Increase in accounts receivable	(95,461)
Increase in due from others	(1,224)
Decrease in inventory	42,831
Increase in prepaid items	(977)
Increase in deferred outflows of resources	(85,913)
Decrease in accounts and other payables	(63,271)
Increase in due to other funds	91,656
Increase in net pension liability	127,172
Decrease in deferred inflows of resources	<u>(13,498)</u>
Total adjustments	<u>378,295</u>
Net cash provided by operating activities	<u>\$ 828,905</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	\$ 148,111
Cash - restricted	<u>45,536</u>
Total cash and cash equivalents	<u>193,647</u>
Cash and cash equivalents, end of period -	
Cash - unrestricted	37,415
Cash - restricted	<u>38,362</u>
Total cash and cash equivalents	<u>75,777</u>
Net decrease	<u>\$ (117,870)</u>

The accompanying notes are an integral part of this statement.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The City of St. Martinville was incorporated on January 30, 1817. The City operates under the provisions of a special charter dated April 4, 1898 and operates under a Mayor-Board of Aldermen form of government.

The accompanying financial statements of the City of St. Martinville (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

This report includes all funds that are controlled by or dependent on the City of St. Martinville executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, certain governmental organizations are not part of the City and are thus excluded from the accompanying financial statements. One such organization is the Housing Authority which is directed by an independent board and does not receive any funding, facilities, or direction from the City of St. Martinville.

The City of St. Martinville has no authority over, nor is it involved in the record keeping of the St. Martinville 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.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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-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.

The funds of the City which are considered to be major funds are described below:

Governmental Funds -

General Fund -

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

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Capital Projects Fund -

Capital projects fund is 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).

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 applies all applicable principles under the Governmental Accounting Standards Board (GASB) in accounting and reporting for its enterprise fund. The City's enterprise fund is the Utility Fund.

The City's nonmajor funds are described below:

Debt Service Fund –

The debt service fund is used to account for the accumulation of resources for, and the payment of general obligation bonds, general obligation refunding bonds, and street improvement refunding bonds. Financing is provided by an ad valorem tax and transfers from the General Fund and the Utility Fund.

Section 8 Fund -

This fund is used to account for the receipt and subsequent expenditures of Section 8 housing funds received from the federal government.

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 ST. MARTINVILLE, 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. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total position. 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 ST. MARTINVILLE, 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 deposits 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. See Note (2) for additional disclosures.

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.

Inventories and prepaid items

Inventories held by both the General and Utility Funds are stated at the lower of cost (first-in, first-out) or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. The major receivable balance for the governmental activities is sales and use 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. All receivables are shown net of an allowance account, as applicable. At June 30, 2017, the allowance amount associated with the receivables of the Utility Fund was \$38,959.

Bond discount/issuance costs

In the government-wide financial statements and fund financial statements, bond discounts and issuance costs are recognized in the current period.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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. The City maintains a threshold level of \$1,000 for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings and improvements	5-40 years
Equipment and vehicles	5-20 years
Wastewater and water plant	5-50 years
Electric lines and meters	7-50 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; however, these assets, to the extent of available information, have been included in the financial statements valued at historical cost.

Restricted Assets

Restricted assets include cash, interest-bearing deposits, and investments that are legally restricted as to their use. The restricted assets are related to unspent bond proceeds, revenue bond accounts and utility customers' 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 is reported as liabilities in the government-wide statements. The long-term

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

debt consists primarily of general obligation bonds, general obligation refunding, street improvement refunding, and capital lease obligations.

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.

Compensated Absences

Employees of the City earn from 10 to 35 days of noncumulative vacation leave, depending upon length of service. Upon resignation or retirement, all unused vacation is forfeited.

Employees of the City earn from 10 to 35 days of sick leave each year, depending upon length of service. Sick leave may be accumulated. No sick leave is paid upon resignation. Upon retirement, unused accumulated sick leave is paid to the employee at the employee's current rate of pay.

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.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

- 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 other two categories of net position.

In the fund financial statements, governmental fund equity is classified as fund balance. 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 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 City Council members. The Council 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 Council 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 adopted policy, only Council members or Mayor may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 57,682	\$ -	\$ -	\$ 57,682
Inventory	26,979	-	-	26,979
Restricted:				
Housing	-	-	45,182	45,182
Debt service	-	-	110,328	110,328
Capital projects	-	1,085,073	-	1,085,073
Committed:				
	-	-	-	-
Assigned:				
	-	-	-	-
Unassigned:				
	<u>367,823</u>	<u>-</u>	<u>-</u>	<u>367,823</u>
	<u>\$ 452,484</u>	<u>\$ 1,085,073</u>	<u>\$ 155,510</u>	<u>\$ 1,693,067</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 Council members have provided otherwise in its commitment or assignment actions.

E. 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.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(2) Cash, Interest-Bearing Deposits, and Investments

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 \$2,231,867.

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 secured as follows:

Bank balances	<u>\$2,591,937</u>
At June 30, 2017 the deposits are secured as follows:	
Federal deposit insurance	\$ 750,000
Pledged securities	<u>1,841,937</u>
Total	<u>\$2,591,937</u>

Deposits in the amount of \$1,841,937 were exposed to custodial credit risk. These are uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. The City does not have a policy for custodial credit risk.

CITY OF ST. MARTINVILLE, LOUISIANA
Notes to Basic Financial Statements (Continued)

(3) 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 the month of June 2017.	\$ 36,109
Amount due from the Louisiana Department of Transportation for reimbursement of sidewalk improvement expenses for the month of June 2017.	31,562
Amount due from the Louisiana Department of Transportation for highway maintenance for the period of January, 2017 to June, 2017.	3,635
Amount due from the Louisiana Municipal Advisory and Technical Services Bureau for insurance licenses collected for the month ended June 30, 2017.	3,968
Amount due from the St. Martin Parish Sheriff's Office for ad valorem taxes collected for the month ended June 30, 2017.	341
Amount due from the St. Martin Parish Sheriff's Office for grass cutting fee collections for the month ended June 30, 2017.	265
Amount due from St. Martin Parish Government for off track betting for the month of June 2017.	3,009
Amount due from the State of Louisiana for beer tax revenues earned during the quarter ended June 30, 2017.	<u>3,076</u>
Total general fund	<u>81,965</u>
Amount due from the St. Martin Parish Sheriff's Office for ad valorem taxes collected for the month ended June 30, 2017.	<u>241</u>
Total governmental activities	<u><u>\$ 82,206</u></u>

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(4) Capital Assets

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

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Governmental activities:				
Assets not being depreciated:				
Land	\$ 754,765	\$ 33,000	\$ -	\$ 787,765
Construction in progress	199,672	1,661,526	-	1,861,198
Assets being depreciated:				
Buildings and improvements	5,816,589	52,847	-	5,869,436
Equipment and vehicles	1,196,168	58,073	(21,803)	1,232,438
Infrastructure	<u>3,322,042</u>	<u>-</u>	<u>-</u>	<u>3,322,042</u>
Totals	<u>11,289,236</u>	<u>1,805,446</u>	<u>(21,803)</u>	<u>13,072,879</u>
Less accumulated depreciation				
Buildings and improvements	(3,549,284)	(179,452)	-	(3,728,736)
Equipment and vehicles	(668,632)	(97,260)	21,803	(744,089)
Infrastructure	<u>(533,594)</u>	<u>(83,051)</u>	<u>-</u>	<u>(616,645)</u>
Total accumulated depreciation	<u>(4,751,510)</u>	<u>(359,763)</u>	<u>21,803</u>	<u>(5,089,470)</u>
Governmental activities, capital assets, net	<u>\$ 6,537,726</u>	<u>\$ 1,445,683</u>	<u>\$ -</u>	<u>\$ 7,983,409</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 482,737	\$ -	\$ -	\$ 482,737
Construction in progress	125,934	51,262	-	177,196
Capital assets being depreciated:				
Buildings and improvements	1,041,743	2,489	-	1,044,232
Equipment	1,037,955	12,376	(4,015)	1,046,316
Wastewater and water plant	15,283,091	5,519	(109,983)	15,178,627
Electric lines and meters	<u>1,914,925</u>	<u>-</u>	<u>-</u>	<u>1,914,925</u>
Totals	<u>19,886,385</u>	<u>71,646</u>	<u>(113,998)</u>	<u>19,844,033</u>
Less accumulated depreciation				
Buildings and improvements	(1,025,706)	(6,538)	-	(1,032,244)
Equipment	(769,733)	(39,001)	4,015	(804,719)
Wastewater and water plant	(7,756,104)	(286,995)	106,753	(7,936,346)
Electric lines and meters	<u>(1,587,534)</u>	<u>(44,446)</u>	<u>-</u>	<u>(1,631,980)</u>
Total accumulated depreciation	<u>(11,139,077)</u>	<u>(376,980)</u>	<u>110,768</u>	<u>(11,405,289)</u>
Business-type activities, capital assets, net	<u>\$ 8,747,308</u>	<u>\$ (305,334)</u>	<u>\$ (3,230)</u>	<u>\$ 8,438,744</u>

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 55,061
Public safety	39,077
Public works	112,567
Culture and recreation	76,447
Tourism	76,611
	<u>\$ 359,763</u>
Business-type activities:	
Electric	\$ 113,094
Water	131,863
Wastewater	132,023
	<u>\$ 376,980</u>

(5) Changes in Long-Term Debt

General obligation refunding and street improvement refunding bonds relate to governmental activities and are therefore paid from the debt service fund. The capital lease (bucket truck and excavator) relates to business-type activities. Payments are made from the enterprise fund. In the past, payments on long-term debt pertained to the City's governmental and business-type activities were made by the debt service fund and enterprise fund, respectively.

	Govt. Activities Bonds	Capital Lease	Total
	<u> </u>	<u> </u>	<u> </u>
Long-term debt at July 1, 2016	\$ 3,484,753	\$ 112,811	\$ 3,597,564
Debt assumed	344,081	-	344,081
Debt retired	<u>(286,194)</u>	<u>(43,889)</u>	<u>(330,083)</u>
Long-term debt at June 30, 2017	<u>\$ 3,542,640</u>	<u>\$ 68,922</u>	<u>\$ 3,611,562</u>

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

Governmental activities -

\$2,485,000 Street Improvement Refunding Bonds Series 2012 dated June 29, 2012; due in annual installments of \$20,000 - \$260,000 through April 1, 2024; interest at 2.55 percent and payable from and secured by a pledge and dedication of excess revenues.	\$1,665,000
\$1,500,000 General Obligation Bond Series 2016 dated March 10, 2016; due in annual installments of \$60,000 - \$115,000 through March 1, 2036; interest at 3.00 percent and payable from and secured by levy collection of ad valorem taxes.	1,533,559
\$2,000,000 Sales Tax Bond, Series 2016 issued by Louisiana Department of Environmental Quality; due in annual installments; exact repayments have not yet been established as the project is still in progress; payments due January 1 of each year; secured by sales tax revenue	<u>344,081</u>
Total governmental activity debt	<u>\$3,542,640</u>

Business type activity -

\$174,595 capital lease on a 2012 Ford bucket truck due with one advance payment of \$17,459 followed by monthly installments of \$2,440; from May 5, 2013 through May 5, 2019; interest rate of 3.74%	\$ 54,073
\$51,388 capital lease on a 2015 John Deere excavator; due in monthly installments of \$1,512; from May 15, 2015 through May 15, 2018; interest rate of 4.00%	<u>14,849</u>
Total business type activity debt	<u>\$ 68,922</u>

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

The annual requirements to amortize all debt outstanding (except for the DEQ bonds since repayment terms are not yet established) at June 30, 2017 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 252,577	\$ 89,282	\$ 341,859
2019	314,539	82,021	396,560
2020	293,194	74,438	367,632
2021	303,194	66,735	369,929
2022	313,194	58,830	372,024
2023-2027	900,966	185,700	1,086,666
2028-2032	451,623	105,788	557,411
2033-2036	<u>438,194</u>	<u>33,711</u>	<u>471,905</u>
Totals	<u>\$3,267,481</u>	<u>\$ 696,505</u>	<u>\$3,963,986</u>

(6) Dedication of Sales Tax Revenues

On June 25, 1975, the voters of the City of St. Martinville approved a one percent (1%) sales and use tax.

On May 5, 2007, the voters of the City of St. Martinville approved a one percent (1%) sales and use tax.

On November 6, 2012, the voters of the City of St. Martinville approved a rededication of all proceeds heretofore and hereafter received. Such proceeds (after paying the reasonable and necessary costs and expenses of collecting and administering the Sales Taxes) may be used for any lawful corporate purpose of the City, including, but not limited to, establishing, acquiring, constructing, improving, maintaining and/or operating the City's waterworks plant and system, solid waste disposal facilities, sewers and sewerage disposal works, drains and drainage facilities, streets, bridges and sidewalks, electric transmission and distribution system, public buildings and recreational facilities within the City, including the necessary land, equipment and furnishings therefore, and the City shall be further authorized to fund the proceeds of the Sales Taxes into bonds from time to time for any one or more capital purposes, to the extent and in the manner permitted by the laws of Louisiana.

Sales and use tax revenues for the fiscal year ended June 30, 2017 were \$1,531,673. Proceeds from the taxes and all reasonable and necessary costs and expenses of collecting the taxes are recorded in the General Fund.

(7) Enterprise Fund Operations

Operations of the City of St. Martinville Utility System consist of an electrical system and 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 ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Operating results of the individual utilities were as follows:

	<u>Year Ended June 30,</u>	<u>Charges for Services</u>	<u>Miscellaneous Operating Revenues</u>	<u>Other Operating Expenses</u>	<u>Operating Income</u>
Electric	2017	\$4,599,287	\$ 117,011	\$(3,802,390)	\$ 913,908
Water utility	2017	\$ 504,309	\$ 12,830	\$ (787,979)	\$ (270,840)
Wastewater system	2017	\$ 485,549	\$ 12,352	\$ (690,359)	\$ (192,458)

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

Electric customers	2,760
Water customers	2,571
Sewer customers	2,262

(8) 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	\$ 134,913	\$ 2,808
Enterprise Fund:		
Utility Fund	-	134,913
Nonmajor Funds	<u>2,808</u>	<u>-</u>
Total	<u>\$ 137,721</u>	<u>\$ 137,721</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances are expected to be paid within the next fiscal year.

CITY OF ST. MARTINVILLE, 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	\$ 1,075,000	\$ 317,600
Capital Projects Funds	74,703	11,912
Enterprise Fund:		
Utility Fund	-	1,078,135
Nonmajor Funds	<u>257,944</u>	<u>-</u>
Total	<u>\$ 1,407,647</u>	<u>\$ 1,407,647</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(9) Ad Valorem Taxes

For the year ended June 30, 2017, taxes of 7.71 mills were levied on property with assessed valuations totaling \$22,205,997 and were dedicated as follows:

General alimony	4.08 mills
Public improvement bonds	4.57 mills

Total taxes levied for the year ended June 30, 2017 were \$205,151. The taxes are levied and assessed in June of each year.

Tax bills are mailed in November, due on December 31, and are delinquent if unpaid as of January 1.

(10) Restricted Assets - Utility Fund

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

Customers' deposits	<u>\$ 354,090</u>
	<u>\$ 354,090</u>

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(11) Contracts

In October, 2007, the City entered into a long-term contract with CLECO. This agreement provides for the purchase of the City's power and energy requirements from CLECO as well as the lease of the City's substation by CLECO.

During the year ended June 30, 2017, the City purchased power from CLECO in the amount of \$2,885,513 of which \$533,792 was payable at year end. This amount has been accrued in the accompanying financial statements.

(12) Compensation of City Officials

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

Thomas Nelson, Mayor	<u>\$ 59,423</u>
City Council:	
Romanus 'Ike' Robertson (thru 8/21/2016)	\$ 1,566
Margaret Robertson (10/3/2016 - 5/15/2017)	6,265
Debra Landry	9,397
Mike Fuselier	9,397
Craig Prosper	9,397
Dennis Williams	9,397
Edmond Joseph (beginning 5/15/2017)	<u>1,174</u>
Total	<u>\$ 46,593</u>

(13) 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 in the past three years.

(14) On-behalf Payments

The City has recognized \$86,167 as a revenue and an expenditure for on-behalf salary payments made by the state of Louisiana.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(15) Contingencies

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representative. The City's management believes that any liability for reimbursement which may arise as a result of these audits would not be material.

There is one lawsuit pending against the City at June 30, 2017, damages of which are covered by insurance. As such, no accrual has been recorded.

(16) Postretirement Health Care and Life Insurance Benefits

Plan Description: The City administers a single-employer defined benefit healthcare plan entitled City of St. Martinville Retiree Health Plan (the Plan). The Plan provides lifetime healthcare insurance for eligible employees and their spouses through the City's group insurance plan which covers both active and retired members. Benefits provisions are established and may be amended by the City Council as authorized by City ordinance. The Plan does not issue a publicly available report.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City used the Project Unit Cost Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Annual required contribution	\$ 52,841	\$ 21,134	\$ 73,975
Interest on net OPEB obligation	57,889	23,152	81,041
Adjustment to annual required contribution	<u>(64,282)</u>	<u>(25,710)</u>	<u>(89,992)</u>
Annual OPEB cost (expense)	46,448	18,576	65,024
Contributions made	<u>(21,283)</u>	<u>(8,512)</u>	<u>(29,795)</u>
Increase in net OPEB obligation	25,165	10,064	35,229
Net OPEB obligation - beginning of year	<u>1,503,912</u>	<u>522,108</u>	<u>2,026,020</u>
Net OPEB obligation - end of year	<u>\$ 1,529,077</u>	<u>\$ 532,172</u>	<u>\$ 2,061,249</u>

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 85,583	90.19%	\$ 2,017,991
6/30/2016	85,217	90.58%	2,026,020
6/30/2017	65,024	45.82%	2,061,249

Fiscal year 2010 was the year of implementation of GASB Statement No. 45 and the City has elected to implement prospectively. Therefore, three-year trend information is presented.

Funding Policy, Funded Status, and Funding Progress. The City contributes 90 percent of the cost of current-year premiums for eligible active and retired Plan members. For fiscal year 2017, the City contributed approximately \$454,000 to the Plan. Plan members receiving benefits contribute 10 percent of their premium costs. In fiscal year 2017, Plan member contributions totaled approximately \$30,000.

As of June 30, 2017, the actuarial accrued liability for benefits was \$640,028, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was approximately \$1,847,026 and the ratio of the unfunded actuarial liability (UAAL) to the covered payroll was approximately 34.65 percent.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subjected to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information indicating whether the actuarial value of plan assets is increasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Assumptions about Employees and Members: Based on the historical average retirement age of covered group, active plan members were assumed to retire at age 60 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published by the National Center for Health Statistics. The probability of remaining employed until the assumed

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

retirement age and employees' expected future working lifetimes were developed using non-group-specific age-based turnover data from GASB Statement No. 45.

Assumptions about Healthcare Costs: The 2015 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 8.5 percent, with reduction to the ultimate rate of 4.5 percent in eight years.

Other Assumptions and Methods: The inflation rate was assumed to be 3 percent. Based on the historical and expected returns of the City's investment, the investment rate of return was assumed to be 4 percent. The value of Plan assets was set at market value. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at a rate of 2 percent.

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

Under Act 706, the City of St. Martinville 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: Thomas Nelson, Mayor

Salary	\$ 59,423
Benefits - insurance	232
Benefits - retirement	7,866
Per diem	1,488
Travel	915
Registration fees	895
Conference travel	2,348
Total	<u>\$ 73,167</u>

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

(18) Pension Plans/GASB 68

A. Municipal Employees Retirement System of Louisiana:

The City of St. Martinville participates in the Municipal Employees' Retirement System of Louisiana (System). The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns, and cities within the state, which did not have their own retirement system and which elected to become members of the System.

Act 569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the System, effective on and after June 30, 1970. Effective October 1, 1978, under Act 788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan. The City of St. Martinville participates in Plan B, and therefore, the following note disclosures will be as it relates to Plan B of the System.

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 Employees Retirement System (MERS) of Louisiana, Municipal Police Employees Retirement System (MPRS), and Firefighters Retirement System of Louisiana, 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 Employees' Retirement System prepares its employer schedules in accordance with the Governmental Accounting Statement No. 68 – *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It identifies the 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 Municipal Employees' Retirement System's employer schedules are 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.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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 and assumptions primarily relate to actuarial valuations or unsettled transactions and events as of the date of the financial statements and estimates in the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts.

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 Description:

The System is administered by a Board of Trustees composed of eleven members, three of whom shall be active and contributing members of the System with at least ten years creditable service and who are elected to office in accordance with the Louisiana Election Code, three of whom shall be active and contributing members of the System with at least ten years creditable service and who are not elected officials; one of whom shall be president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; and one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana; the commissioner of administration, who shall be a nonvoting member; and the State Treasurer, who shall be a nonvoting member.

The System is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was established and provided for by R.S.11:1731 of the Louisiana Revised Statutes (LRS).

Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System of Louisiana, effective on and after June 30, 1970.

Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Plan Membership

The System provides retirement benefits to employees of all incorporated villages, towns, and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 2016, there were 68 contributing municipalities in Plan B. At June 30, 2016, statewide retirement membership consists of the following:

	<u>Plan B</u>
Inactive plan members or beneficiaries receiving benefits	975
Inactive plan members entitled to but not yet receiving benefits	1,329
Active plan members	<u>2,142</u>
Total participants as of the valuation date	<u>4,446</u>

Eligibility Requirements:

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

Any person eligible for membership but whose first employment making him eligible for membership in the System occurred on or after January 1, 2013 shall become a member of the MERS Plan B Tier 2 of the System as a condition of employment.

Retirement Benefits:

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

Any member of Plan B who commenced participation in the System prior to January 1, 2013 can retire providing the member meets one of the following criteria:

1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with ten (10) years of creditable service eligible for disability benefits.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

4. Survivor's benefits require five (5) years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specific amounts.

Any member of Plan B Tier 2 shall be eligible for retirement if he meets one of the following requirements:

1. Seven years or more of service, at age sixty-seven or thereafter.
2. Ten years or more of service, at age sixty-two, or thereafter.
3. Thirty years or more of service, at age fifty-five or thereafter.
4. Thirty-five years of service credit at any age, exclusive of military service and unused annual sick leave.

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

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

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

Any member of Plan B who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

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

DROP Benefits:

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

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

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

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Cost of Living Increases:

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

Deferred Benefits:

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

Contributions:

Contributions for all members are established by statute. Member contributions are at 5% of earnable compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating municipality.

According to state statute, contributions for all employers are actuarially determined each year. For the year ended June 30, 2016, the employer contribution rate was 9.50% of member's earnings for Plan B.

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

Administrative costs of the System are financed through employer contributions.

Schedule of Employer Allocations:

The schedule of employer allocations reports the employer contributions in addition to the employer allocation percentage. The employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System of Louisiana. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

The allocation method used in determining each employer's proportion was based on the employer's contribution effort to the plan for the current fiscal year as compared to the

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

total of all employers' contribution effort to the plan for the current fiscal year. The employers' contribution effort was based on actual employer contributions made to the Retirement System for the fiscal year ended June 30, 2016.

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 \$1,489,139 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 1.796506%, which was an increase of .035175 % from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$258,829 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$809.

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 experience	\$ 12,214	\$ 21,516
Changes of assumptions	74,205	-
Net difference between projected and actual earnings on pension plan investments	365,014	-
Change in proportion and differences between employer contributions and proportionate share of contributions	23,932	18,366
Employer contributions subsequent to the measurement date	<u>151,648</u>	<u>-</u>
Total	<u>\$ 627,013</u>	<u>\$ 39,882</u>

Deferred outflows of resources of \$151,648 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 pensions will be recognized in pension expense as follows:

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Fiscal Year Ended	
6/30/2018	\$ 115,950
6/30/2019	138,626
6/30/2020	125,346
6/30/2021	55,561

Actuarial Methods and Assumptions:

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

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

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.500%
Salary Increases, including Inflation and Merit Increases	5.000%
Expected Remaining Service Lives	2016 - 4 years 2015 - 4 years
Annuitant and Beneficiary Mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee Mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disabled Lives Mortality	For disabled annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges on expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return was 7.6% for the year ended June 30, 2016.

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

	<u>June 30, 2016</u>	
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Public equity	50.00%	2.60%
Public fixed income	35.00%	1.80%
Alternatives	15.00%	0.80%
Totals	<u>100.00%</u>	<u>5.20%</u>
Inflation		<u>2.50%</u>
Expected Arithmetic Nominal Return		<u><u>7.70%</u></u>

The discount rate used to measure the total pension liability was 7.5% for the years ended June 30, 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2016 is 4 years for Plan B.

Sensitivity to Changes in the Discount Rate:

The following presents the net pension liability of the System calculated using the discount rate of 7.5%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current discount rate (assuming all other assumptions remain unchanged):

	Changes in Discount Rate		
	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of net pension liability	\$ 1,926,396	\$ 1,489,139	\$ 1,116,072

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:

1. 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 outflow of resources in the amount of \$12,214 and a deferred inflow of resources in the amount of \$21,516 for the year ended June 30, 2016.
2. 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 \$365,014 for the year ended June 30, 2016.
3. 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. The changes of assumptions or other inputs

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

resulted in a deferred outflow of resources in the amount of \$74,205 for the year ended June 30, 2016.

4. Change in Proportion – Changes in the employer’s proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer’s pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion resulted in a deferred outflow of resources in the amount of \$23,932 and a deferred inflow of resources in the amount of \$18,366 for the year ended June 30, 2016.

Contributions – Proportionate Share:

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

Retirement System Audit Report:

The Municipal Employees’ Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ending June 30, 2016. Access to the report can be found on the Louisiana Legislative Auditor’s website, www.lia.gov.

B. Municipal Police Employees Retirement System:

The City of St. Martinville participates in the Municipal Police Employees’ Retirement System 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 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 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

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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 of 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.

Pension Amount Netting:

The deferred outflows and deferred inflows of resources resulting from differences between projected and actual earnings on pension plan investments that were recorded in different years were netted to report only a deferred outflow or a deferred inflow on the schedule of pension amounts. The remaining categories of deferred outflows and deferred inflows were not presented on a net basis.

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 ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

Membership Prior to January 1, 2013

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

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

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Membership Commencing January 1, 2013

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

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

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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 for 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.

CITY OF ST. MARTINVILLE, 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 are recognized as revenue during the year ended June 30, 2016, and excluded from pension expense. The City recognized \$14,563 of non-employer 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 ST. MARTINVILLE, 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 \$733,667 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 .078276%, which was an increase of .028949% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension benefit of \$102,154 less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$1,306.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 11,671
Changes of assumptions	35,671	44
Net difference between projected and actual earnings on pension plan investments	112,892	-
Change in proportion and differences between employer contributions and proportionate share of contributions	163,649	71,999
Employer contributions subsequent to the measurement date	<u>67,350</u>	<u>-</u>
Total	<u>\$ 379,562</u>	<u>\$ 83,714</u>

Deferred outflows of resources of \$67,350 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:

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

<u>Fiscal Year Ended</u>	
6/30/2018	\$ 40,243
6/30/2019	60,885
6/30/2020	98,696
6/30/2021	28,674

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.

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

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

Valuation Date	June 30, 2016	
Actuarial Cost Method	Entry Age Normal	
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 Table set back 5 years for males and set back 3 years for females for disabled annuitants.</p> <p>RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.</p>	
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 enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a 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.

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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:

<u>Asset Class</u>	<u>June 30, 2016</u>	
	<u>Target Allocation</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
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%

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate:

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

	<u>Changes in Discount Rate</u>		
	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Employer's proportionate share of net pension liability	\$ 978,041	\$ 733,667	\$ 528,492

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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:

1. 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 \$11,671 for the year ended June 30, 2016.
2. 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 \$112,892 for the year ended June 30, 2016.
3. Changes of Assumptions or Other Inputs – The 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. The changes of assumptions or other inputs resulted in a deferred outflow of resources in the amount of \$35,671 and a deferred inflow of resources in the amount of \$44 for the year ended June 30, 2016.
4. 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 resources in the amount of \$163,649 and in a deferred inflow of resources in the amount of \$71,999 for the year ended June 30, 2016.

Contributions – Proportionate Share:

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

CITY OF ST. MARTINVILLE, LOUISIANA

Notes to Basic Financial Statements (Continued)

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.

(18) New Accounting Pronouncements

In June 2015, the GASB approved Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45 relating to accounting and financial reporting by employers for postemployment benefits other than pensions. The provisions of GASB Statement No. 75 must be implemented by the City for the year ending June 30, 2018. The effect of implementation on the City's financial statements has not yet been determined.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF ST. MARTINVILLE
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Taxes:				
Ad valorem	\$ 120,000	\$ 119,007	\$ 127,128	\$ 8,121
Sales	1,600,000	1,540,000	1,531,673	(8,327)
Total taxes	<u>1,720,000</u>	<u>1,659,007</u>	<u>1,658,801</u>	<u>(206)</u>
Licenses and permits:				
Occupational, insurance, and liquor licenses	259,500	240,500	254,359	13,859
Franchise, fees and permits	97,100	93,856	93,323	(533)
Total licenses and permits	<u>356,600</u>	<u>334,356</u>	<u>347,682</u>	<u>13,326</u>
Intergovernmental:				
Federal and state grants	60,000	223,825	255,702	31,877
State revenue sharing	4,000	4,887	4,887	-
Beer tax	12,600	12,600	11,729	(871)
Video poker	300,000	267,500	294,131	26,631
Other	7,270	7,270	7,270	-
On behalf payments	90,000	84,900	86,167	1,267
Total intergovernmental	<u>473,870</u>	<u>600,982</u>	<u>659,886</u>	<u>58,904</u>
Charges for services:				
Garbage	575,000	587,128	585,195	(1,933)
Recreation	43,150	41,805	40,991	(814)
Tourism Center	17,350	28,784	30,464	1,680
Total charges for service	<u>635,500</u>	<u>657,717</u>	<u>656,650</u>	<u>(1,067)</u>
Fines and forfeitures	51,000	48,058	45,907	(2,151)
Investment income	2,120	1,394	1,286	(108)
Donations income	-	309	309	-
Miscellaneous income	70,820	87,089	91,919	4,830
Total revenues	<u>3,309,910</u>	<u>3,388,912</u>	<u>3,462,440</u>	<u>73,528</u>
Expenditures:				
General government	850,190	881,485	857,125	24,360
Public safety	1,469,961	1,440,558	1,411,863	28,695
Public works	1,585,513	1,754,028	1,698,212	55,816
Recreation	263,881	265,601	266,949	(1,348)
Tourism	181,275	182,575	176,864	5,711
Capital outlay	35,000	55,701	77,191	(21,490)
Total expenditures	<u>4,385,820</u>	<u>4,579,948</u>	<u>4,488,204</u>	<u>91,744</u>
Deficiency of revenues over expenditures	<u>(1,075,910)</u>	<u>(1,191,036)</u>	<u>(1,025,764)</u>	<u>165,272</u>

(continued)

CITY OF ST. MARTINVILLE
General Fund

Budgetary Comparison Schedule (continued)
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other financing sources:				
Transfers in	1,075,000	1,075,000	1,075,000	-
Transfers out	<u>(257,813)</u>	<u>(273,266)</u>	<u>(317,600)</u>	<u>(44,334)</u>
Total other financing sources	<u>817,187</u>	<u>801,734</u>	<u>757,400</u>	<u>(44,334)</u>
Net change in fund balances	(258,723)	(389,302)	(268,364)	120,938
Fund balance, beginning	<u>1,184,722</u>	<u>766,743</u>	<u>720,848</u>	<u>(45,895)</u>
Fund balance, ending	<u>\$ 925,999</u>	<u>\$ 377,441</u>	<u>\$ 452,484</u>	<u>\$ 75,043</u>

CITY OF ST. MARTINVILLE
 St. Martinville, Louisiana

Schedule of Funding Progress
 For the Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2012	-	3,582,505	3,582,505	0.0%	2,267,934	158%
July 1, 2014	-	854,261	854,261	0.0%	2,034,878	42%
July 1, 2016	-	640,028	640,028	0.0%	1,847,026	35%

CITY OF ST. MARTINVILLE
St. Martinville, LA

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

Year Ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll Obligation	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Municipal Employees Retirement System					
2015	1.72688%	\$ 810,765	1,204,589	67.3%	76.94%
2016	1.76133%	1,197,084	1,230,739	97.3%	68.71%
2017	1.79651%	1,489,139	1,319,904	112.8%	63.34%
Municipal Police Employees Retirement System					
2015	0.06298%	\$ 394,921	174,883	225.8%	75.10%
2016	0.04933%	386,425	141,570	273.0%	70.73%
2017	0.07828%	733,667	219,269	334.6%	66.04%

* 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 ST. MARTINVILLE
St. Martinville, LA

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

Year ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
Municipal Employees Retirement System					
2015	\$ 116,920	\$ 116,920	\$ -	\$ 1,230,739	9.50%
2016	125,391	125,391	-	1,319,904	9.50%
2017	151,648	151,648	-	1,378,305	11.00%
Municipal Police Employees Retirement System					
2015	\$ 44,595	\$ 44,595	\$ -	\$ 141,570	31.50%
2016	64,684	64,684	-	219,269	29.50%
2017	67,350	67,350	-	212,125	31.75%

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

CITY OF ST. MARTINVILLE

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

(1) Budget 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 City Council 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 City Council.

(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

**NON MAJOR
FUND DESCRIPTIONS**

SECTION 8 FUND

To account for the receipt and subsequent expenditure of Section 8 housing funds received from the federal government.

DEBT SERVICE FUND

To account for the accumulation of resources for the payment of general obligation bonds, general obligation refunding bonds, and street improvement refunding bonds. Financing is provided by an ad valorem tax and transfers from the General Fund and the Utility Fund.

CITY OF ST. MARTINVILLE

Balance Sheet -
Nonmajor Governmental Funds
June 30, 2017

	Section 8 Fund	2008 Debt Service Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 44,289	\$ 108,936	\$ 153,225
Due from other governmental units	-	241	241
Due from other funds	<u>1,657</u>	<u>1,151</u>	<u>2,808</u>
 Total assets	 <u>\$ 45,946</u>	 <u>\$ 110,328</u>	 <u>\$ 156,274</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 62	\$ -	\$ 62
Accrued expenses	<u>702</u>	<u>-</u>	<u>702</u>
Total liabilities	<u>764</u>	<u>-</u>	<u>764</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	45,182	110,328	155,510
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>45,182</u>	<u>110,328</u>	<u>155,510</u>
 Total liabilities and fund balances	 <u>\$ 45,946</u>	 <u>\$ 110,328</u>	 <u>\$ 156,274</u>

CITY OF ST. MARTINVILLE

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

	Section 8 Fund	2008 Debt Service Fund	Total
Revenues:			
Federal & state grants	\$ 349,049	\$ -	\$ 349,049
Taxes	-	99,458	99,458
Miscellaneous	-	-	-
Interest income	<u>23</u>	<u>59</u>	<u>82</u>
 Total revenues	 <u>349,072</u>	 <u>99,517</u>	 <u>448,589</u>
Expenditures:			
Current -			
General government	-	511	511
Public works	-	-	-
Urban redevelopment and housing	351,226	-	351,226
Debt service	-	378,000	378,000
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>351,226</u>	<u>378,511</u>	<u>729,737</u>
 Deficiency of revenues over expenditures	 <u>(2,154)</u>	 <u>(278,994)</u>	 <u>(281,148)</u>
Other financing sources:			
Operating transfers in	<u>-</u>	<u>257,944</u>	<u>257,944</u>
Total other financing sources	<u>-</u>	<u>257,944</u>	<u>257,944</u>
 Net changes in fund balances	 (2,154)	 (21,050)	 (23,204)
 Fund balances, beginning	 <u>47,336</u>	 <u>131,378</u>	 <u>178,714</u>
 Fund balances, ending	 <u>\$ 45,182</u>	 <u>\$ 110,328</u>	 <u>\$ 155,510</u>

**COMPLIANCE
INTERNAL CONTROL
AND
OTHER INFORMATION**

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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*

The Honorable Thomas Nelson, Mayor
and Members of the City Council
City of St. Martinville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Martinville, 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 St. Martinville, Louisiana's basic financial statements and have issued our report thereon dated November 17, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of St. Martinville, 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 St. Martinville, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of St. Martinville, 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. However, as described in the accompanying schedule of findings, questioned costs and management's corrective action plan, we identified items 2017-001 and 2017-002 that we consider to be material weaknesses in internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Martinville, 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 St. Martinville, Louisiana's Response to Findings

The City of St. Martinville, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings, questioned costs and management's corrective action plan. The City of St. Martinville, 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
November 17, 2017

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Thomas Nelson, Mayor
and Members of the City Council
City of St. Martinville, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the City of St. Martinville, Louisiana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of St. Martinville, Louisiana's major federal program for the year ended June 30, 2017. The City of St. Martinville, Louisiana's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings, questioned costs, and management's corrective action plan.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the City of St. Martinville, Louisiana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, 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
November 17, 2017

CITY OF ST. MARTINVILLE

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of St. Martinville, Louisiana (the City). The City's reporting entity is defined in Note 1 to the basic financial statements for the year ended June 30, 2017. All federal financial assistance received directly from federal agencies is included on the schedule as well as federal financial assistance passed through other government agencies. The major program is identified with an asterisk (*) on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements for the year ended June 30, 2017.

(3) Relationship to Fund Financial Statements

Federal financial assistance revenues are reported in the City's fund financial statements as follows:

General Fund - Intergovernmental Revenue	\$ 202,411
Capital Projects Fund - Intergovernmental Revenue	775,563
Nonmajor Funds - Intergovernmental Revenue	349,049
Capital Projects Fund - Bond Proceeds	<u>344,081</u>
Total	<u>\$1,671,104</u>

(4) Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(5) Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports.

CITY OF ST. MARTINVILLE

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

Federal Grantor/Pass-Through Grantor/ Program Name	Federal CFDA Number	Pass-through Identifying Number	Federal Revenue / Other Financing Source Recognized	Federal Expenditures
United States Department of Homeland Security/ Louisiana Governor's Office of Homeland Security and Emergency Preparedness				
Disaster Grants - Public Assistance Program	97.036	**	\$ 202,411	\$ 202,411
United States Department of Housing of Urban Development				
Section 8 Housing Choice Vouchers	14.871	N/A	349,049	349,049
United States Department of Housing of Urban Development/ Louisiana Office of Community Development				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii*	14.228	**	775,563	775,563
United States Environmental Protection Agency/ Louisiana Department of Environmental Quality				
Capitalization Grants for Clear Water State Revolving Funds	66.458	**	<u>344,081</u>	<u>344,081</u>
Total Expenditures of Federal Awards			<u>\$ 1,671,104</u>	<u>\$ 1,671,104</u>

* - Denotes major program.

** - Not readily accessible.

N/A - Not applicable.

CITY OF ST. MARTINVILLE, LOUISIANA

Schedule of Findings, Questioned Costs and
Management's Corrective Action Plan
Year Ended June 30, 2017

Part I: Summary of Auditors' Results:

1. An unmodified opinion was issued on the financial statements.
2. There were two material weaknesses in internal control disclosed by the audit of the financial statements.
3. There were no instances of material noncompliance disclosed.
4. No material weaknesses or significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
5. An unmodified opinion was issued on compliance for the major program.
6. The audit disclosed no findings required to be reported in accordance with 2 CFR Section 200.516(a).
7. The major program was:

U.S. Department of Housing and Urban Development: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The auditee did not qualify as a low-risk auditee.

Part II: Findings which are required to be reported in accordance with generally accepted governmental auditing standards:

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.

(continued)

CITY OF ST. MARTINVILLE, LOUISIANA

Schedule of Findings, Questioned Costs and
Management's Corrective Action Plan (continued)
Year Ended June 30, 2017

Recommendation:

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

Management's Corrective Action Plan:

Mayor Thomas Nelson decided that it is not cost effective to achieve adequate segregation of accounting duties. No plan is considered necessary.

2017-002 – Inadequate Controls over Financial Statement Preparation; Year Initially Occurred – Unknown

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 the City's personnel do not have the qualifications and training to apply GAAP in recording the entity's financial transactions or preparing the financial statements, including the related notes.

Recommendation:

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

Management's Corrective Action Plan:

Mayor Thomas Nelson 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 related notes prior to approving them and accepting responsibility for their contents and presentation.

CITY OF ST. MARTINVILLE, LOUISIANA

Schedule of Findings, Questioned Costs and
Management's Corrective Action Plan (continued)
Year Ended June 30, 2017

Part III: Findings and questioned costs for Federal awards which include audit findings as defined in Section 510(a) of Uniform Guidance:

There are no findings and questioned costs at June 30, 2017.

Part IV: Management Letter Items:

There are no management letter items at June 30, 2017.

CITY OF ST. MARTINVILLE, LOUISIANA

Schedule of Prior Audit Findings
Year Ended June 30, 2017

Section I: Findings which are required to be reported in accordance with generally accepted government auditing standards:

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.

Status:

Unresolved. See item 2017-002.

Section II: Findings and questioned costs for Federal awards which include audit findings as defined in Section 510(a) of Uniform Guidance:

The City did not have a Uniform Guidance audit for year end June 30, 2016.

Section III: Management Letter Items

There were no findings mentioned under this section at June 30, 2016.

**SCHEDULES REQUIRED BY U.S. DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT, REAL ESTATE ASSESSMENT CENTER (REAC)**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

The Honorable Thomas Nelson, Mayor
and Members of the City Council
City of St. Martinville, Louisiana

We have performed the procedure described in the second paragraph of this report, which was agreed to by the City of St. Martinville, Louisiana and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the reporting package. The City of St. Martinville, Louisiana is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with *Government Auditing Standards* by the City of St. Martinville, Louisiana as of and for the year ended June 30, 2017, and have issued our reports thereon dated November 17, 2017. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated November 17, 2017, was expressed in relation to the basic financial statements of the City of St. Martinville, Louisiana taken as a whole.

A copy of the reporting package required by *Government Auditing Standards*, which includes the auditors' reports, is available in its entirety from the City of St. Martinville, Louisiana. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of the City of St. Martinville and the United States Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties. 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
November 17, 2017

ATTACHMENT TO INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURE

UFRS Rule Information	Hard Copy Document(s)	Findings
Balance Sheet and Revenue and Expense (data line items 111 to 11210)	Financial Statement Data of department	Agrees
Footnotes (data element G5000-010)	Footnotes to audited basic financial statements of the reporting entity	Agrees
Type of Opinion on the FDS (data element G3100-040)	Auditors' supplemental report on the FDS	Agrees

CITY OF ST. MARTINVILLE, LOUISIANA

Financial Data Schedule - Balance Sheet
 Section 8 Housing Program
 March 31, 2017

Line Item #	Account Description	14.871 Housing Choice Vouchers
111	Cash - unrestricted	\$ 37,722
113	Cash - other restricted	1,742
115	Cash - restricted for payment of current liabilities	<u>200</u>
100	Total cash	<u>39,664</u>
125	Accounts receivable - miscellaneous	<u>17</u>
120	Total receivables, net of allowances for doubtful accounts	<u>17</u>
150	Total current assets	<u>39,681</u>
164	Furniture, equipment & machinery - administration	4,753
166	Accumulated depreciation	<u>(4,107)</u>
160	Total capital assets, net of accumulated depreciation	<u>646</u>
180	Total noncurrent assets	<u>646</u>
200	Deferred outflows of resources	<u>-</u>
290	Total assets and deferred outflows of resources	<u>\$ 40,327</u>
345	Other liabilities	<u>\$ 200</u>
310	Total current liabilities	<u>200</u>
300	Total liabilities	<u>200</u>
400	Deferred inflows of resources	<u>-</u>
508	Net Investment in Capital Assets	646
511	Restricted net position	1,742
512	Unrestricted net position	<u>37,739</u>
513	Total equity - net assets/position	<u>40,127</u>
600	Total liabilities, deferred inflows of resources and equity - net assets/position	<u>\$ 40,327</u>

CITY OF ST. MARTINVILLE, LOUISIANA

Financial Data Schedule - Income Statement
 Section 8 Housing Program
 March 31, 2017

Line Item #	Account Description	14.871 Housing Choice Vouchers
70600-010	Housing assistance payments	\$ 307,600
70600-020	Ongoing administrative fees earned	<u>32,138</u>
70600	HUD PHA operating grants	<u>339,738</u>
71100	Investment income - unrestricted	<u>19</u>
71500	Other revenue	<u>5,543</u>
70000	Total revenue	<u>345,300</u>
91100	Administrative salaries	24,461
91500	Employee benefit contributions administrative	1,993
91600	Office expenses	7,294
91900	Other	<u>180</u>
91000	Total operating - administrative	<u>33,928</u>
94300	Ordinary maintenance and operations - contracts	<u>-</u>
94000	Total maintenance	<u>-</u>
96130	Workmen's compensation	<u>-</u>
96100	Total insurance premiums	<u>-</u>
96200	Other general expenses	<u>870</u>
96000	Total other general expenses	<u>870</u>
96900	Total operating expenses	<u>34,798</u>
97000	Excess revenue over operating expenses	<u>310,502</u>
97300	Housing assistance payments	<u>310,376</u>
97350	HAP portability-in	<u>4,916</u>
97400	Depreciation expense	<u>324</u>
90000	Total expenses	<u>350,414</u>
10000	Deficiency of revenue under expenses	<u>\$ (5,114)</u>
11030	Beginning equity	<u>\$ 45,241</u>
11170-001	Administrative fee equity - Beginning Balance	<u>\$ 40,723</u>
11170-010	Administrative fee revenue	32,138
11170-040	Investment income	19
11170-050	Other revenue	<u>5,543</u>
11170-051	Comment for other revenue	
11170-060	Total admin fee revenues	<u>37,700</u>
11170-080	Total operating expenses	34,798
11170-090	Depreciation	324
11170-095	Housing assistance payment portability in	<u>4,916</u>
11170-110	Total expenses	<u>40,038</u>
11170-002	Net administrative fee	<u>(2,338)</u>
11170-003	Administrative fee equity - Ending Balance	<u>38,385</u>
11170-005	Pre-2004 administrative fee reserves	29,136
11170-006	Post-2004 administrative reserves	<u>9,249</u>
11170	Administrative fee equity	<u>\$ 38,385</u>

(continued)

CITY OF ST. MARTINVILLE, LOUISIANA

Financial Data Schedule - Income Statement (continued)
 Section 8 Housing Program
 March 31, 2017

Line Item #	Account Description	14.871 Housing Choice Vouchers
11180-001	Housing assistance payments equity - Beginning Balance	\$ 4,518
11180-010	Housing assistance payment revenues	307,600
11180-020	Other revenue	-
11180-030	Total HAP revenues	<u>307,600</u>
11180-080	Housing assistance payments	310,376
11180-090	Other expenses	-
11180-100	Total housing assistance payments expenses	<u>310,376</u>
11180-002	Net housing assistance payments	<u>(2,776)</u>
11180-003	Housing assistance payments equity - Ending Balance	1,742
11180	Housing assistance payments equity	<u>\$ 1,742</u>
11190	Unit months available	587
11210	Unit months leased	587

CITY OF ST. MARTINVILLE, LOUISIANA

Statewide Agreed-Upon Procedures Report

Year Ended June 30, 2017

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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Retired:

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To the Management of the City of St. Martinville,

We have performed the procedures enumerated below, which were agreed to by the management of the City of St. Martinville and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about City of St. Martinville's compliance with certain laws, regulations and best practices during the year ended June 30, 2017. Management of the City of St. Martinville 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 quorums) 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 at least 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, for all except 1 meeting, did not include monthly budget-to-actual comparisons for the major funds.

- 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.

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 seven of eight bank accounts tested did not have evidence of management review for six months and one of eight bank accounts tested did not have evidence of management review for seven months.

- 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 that two of eight bank accounts tested had checks that have been outstanding for more than six months throughout the year. These bank accounts did not have management documentation reflecting research of the outstanding checks.

Collections

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

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

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

from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:

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

Written documentation was obtained and addresses the functions noted above. In all three locations, the person responsible for collecting cash is bonded, but not responsible for depositing the cash in the cash bank, recording the related transaction, reconciling the related bank account, and does not share a cash drawer with another person.

- 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 address the functions noted above. This process is performed by a person independent of the cash collections process.

- 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.

In one of the three locations, a total of 6 deposits were not made within one day of collection. One deposit was made within five days, one deposit was made within six days, one deposit was made within seven days, one deposit was made within eight days, one deposit was made within nine days, and one deposit was made within ten 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.

Daily cash collections are completely supported by collection documentation.

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

Written policies and procedures were obtained and address the functions noted above. The person who determines completeness does not collect cash.

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.

- 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

- 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.

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

Written policies and procedures were obtained and address the functions noted above; however, the person responsible for processing payments can also add vendors.

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, the person with signatory authority also can initiate and record 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.

No exceptions noted.

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.

Signature stamp or signature machine is not utilized.

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.

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 noting supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

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

No finance charges or fees were noted.

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)

No exceptions noted.

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

No exceptions noted.

- 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.

No exceptions noted

- 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)

Three of the contracts were subject to the Louisiana Public Bid Law, and the entity complied with all legal requirements.

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

As a best practice, quotes were solicited for the two contracts that were not subject to the Louisiana Public 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.

Two contracts were amended for change orders by \$32,022.90 and \$92,286.06. 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 exceptions noted.

- 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.

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.

No exceptions noted.

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.

One of the employees tested did not have evidence of ethics training.

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.

No debt was issued during the fiscal period.

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

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.

Millage collections did not exceed debt service payments by more than 10% during the fiscal period.

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 notices were posted on the entity's premises and 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 St. Martinville 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
November 17, 2017