

CITY OF PATTERSON, LOUISIANA

Financial Report

Year Ended June 30, 2018

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KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd. 11929 Bricksome Ave.
Lafayette, LA 70508 Baton Rouge, LA 70816
Phone (337) 232-4141 Phone (225) 293-8300

1428 Metro Dr. 450 E. Main St.
Alexandria, LA 71301 New Iberia, LA 70560
Phone (318) 442-4421 Phone (337) 367-9204

200 S. Main St. 1234 David Dr. Ste. 203
Abbeville, LA 70510 Morgan City, LA 70380
Phone (337) 893-7944 Phone (985) 384-2020

434 E. Main St. 332 W. Sixth Ave.
Ville Platte, LA 70586 Oberlin, LA 70655
Phone (337) 363-2792 Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

INDEPENDENT AUDITOR'S REPORT

The Honorable Rodney Grogan, Mayor
and Members of the City Council
City of Patterson, 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 Patterson, Louisiana (hereinafter "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, 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.

Emphasis of Matter

As described in Notes 9 and 19 to the financial statements, the City implemented the provisions of Governmental Accounting Standard Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that certain information 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 budgetary comparison schedules on pages 60 through 62, schedule of changes in total OPEB liability and related ratios on page 63, schedule of employer's share of net pension liability on page 64, schedule of employer contributions on page 65, and notes to required supplementary information on page 66 and 67 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information on pages 69 through 90 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 such information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018, on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 31, 2018

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PATTERSON, LOUISIANA

Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 2,227,206	\$ 342,708	\$ 2,569,914
Interest-bearing deposits	5,734,249	878,062	6,612,311
Investments, at fair value	917,621	326,824	1,244,445
Receivables, net	230,469	456,988	687,457
Due from other governmental units	50,489	-	50,489
Internal balances	2,048,060	(2,048,060)	-
Prepaid insurance	19,000	19,000	38,000
Total current assets	<u>11,227,094</u>	<u>(24,478)</u>	<u>11,202,616</u>
Noncurrent assets:			
Restricted assets	-	441,868	441,868
Capital assets:			
Land and construction in progress	6,718,443	164,225	6,882,668
Depreciable, net of accumulated depreciation	5,350,360	1,912,299	7,262,659
Total noncurrent assets	<u>12,068,803</u>	<u>2,518,392</u>	<u>14,587,195</u>
Total assets	<u>23,295,897</u>	<u>2,493,914</u>	<u>25,789,811</u>
Deferred outflows of resources related to pensions	<u>541,514</u>	<u>233,792</u>	<u>775,306</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	837,068	176,244	1,013,312
Accrued interest payable	58,764	-	58,764
Bonds payable, current portion	450,000	-	450,000
Total current liabilities	<u>1,345,832</u>	<u>176,244</u>	<u>1,522,076</u>
Noncurrent liabilities:			
Customers' deposits payable	-	441,868	441,868
Net pension liability	1,641,095	623,242	2,264,337
OPEB Liability	627,371	164,311	791,682
Bonds payable, net of current portion	5,325,000	-	5,325,000
Total noncurrent liabilities	<u>7,593,466</u>	<u>1,229,421</u>	<u>8,822,887</u>
Total liabilities	<u>8,939,298</u>	<u>1,405,665</u>	<u>10,344,963</u>
Deferred inflows of resources related to pensions	<u>73,650</u>	<u>37,057</u>	<u>110,707</u>
NET POSITION			
Net investment in capital assets	6,293,803	2,076,524	8,370,327
Restricted for:			
Debt service	770,022	-	770,022
Other purposes	11,144,835	-	11,144,835
Unrestricted (deficit)	(3,384,197)	(791,540)	(4,175,737)
Total net position	<u>\$ 14,824,463</u>	<u>\$ 1,284,984</u>	<u>\$ 16,109,447</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF PATTERSON, LOUISIANA

Statement of Activities
Year Ended June 30, 2018

Activities	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,049,181	\$ 299,844	\$ 9,571	\$ -
Public safety				
Police	1,965,614	351,233	22,754	-
Fire	132,766	-	38,181	-
Sanitation	503,922	474,457	18	-
Streets and drainage	1,562,222	61,373	12,160	-
Culture and recreation	94,098	750	-	-
Interest and fiscal charges on long-term debt	<u>178,594</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	5,486,397	1,187,657	82,684	-
Business-type activities:				
Utility Fund	<u>2,800,809</u>	<u>2,503,536</u>	<u>17,934</u>	<u>-</u>
Total	<u>\$ 8,287,206</u>	<u>\$ 3,691,193</u>	<u>\$ 100,618</u>	<u>\$ -</u>

General revenues:

Taxes -

 Property taxes

 Sales and use taxes

 Other taxes

Grants and contributions not restricted to specific programs

 Local sources

Interest and investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net Position - July 1, 2017, as restated

Net Position - June 30, 2018

The accompanying notes are an integral part of the basic financial statements.

Net (Expense) Revenues and Changes in Net Position		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (739,766)	\$ -	\$ (739,766)
(1,591,627)	-	(1,591,627)
(94,585)	-	(94,585)
(29,447)	-	(29,447)
(1,488,689)	-	(1,488,689)
(93,348)	-	(93,348)
<u>(178,594)</u>	<u>-</u>	<u>(178,594)</u>
(4,216,056)	-	(4,216,056)
<u>-</u>	<u>(279,339)</u>	<u>(279,339)</u>
<u>(4,216,056)</u>	<u>(279,339)</u>	<u>(4,495,395)</u>
614,084	-	614,084
1,906,645	-	1,906,645
280,208	-	280,208
110,777	-	110,777
3,516	-	3,516
166,988	3,290	170,278
<u>(12,315)</u>	<u>12,315</u>	<u>-</u>
<u>3,069,903</u>	<u>15,605</u>	<u>3,085,508</u>
(1,146,153)	(263,734)	(1,409,887)
<u>15,970,616</u>	<u>1,548,718</u>	<u>17,519,334</u>
<u>\$ 14,824,463</u>	<u>\$ 1,284,984</u>	<u>\$ 16,109,447</u>

FUND FINANCIAL STATEMENTS

MAJOR FUNDS' DESCRIPTIONS

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

Sewerage and Solid Waste Sales Tax Fund

To account for the receipt and use of proceeds of the City's ¾% sales and use tax. These taxes are dedicated to the construction, acquisition, extension, improvement, operation and maintenance of solid waste collection and disposal facilities.

Ad Valorem Tax Collection Fund

To account for the receipt of the City's general alimony and debt service ad valorem tax millages. Taxes collected under the general alimony millage of 8.20 mills are transferred to the General Fund and available for use in general governmental operations. Taxes collected under the debt service millage of 14.0 mills are transferred to the Public Improvement Bond Fund and are restricted for use in retirement of the City's general obligation debt.

CAPITAL PROJECTS FUND

Water Plant Construction Fund

To account for the financial resources to be used for the construction of a new water plant for the City. The financial resources to be accounted for include the proceeds of \$5,000,000 General Obligation Bonds, Series 2012 and \$1,000,000 Limited Tax Bonds, Series 2018.

ENTERPRISE FUND

Utility Fund

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

CITY OF PATTERSON, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2018

	General	Sewerage and Solid Waste Sales Tax	Ad Valorem Tax Collection
ASSETS			
Cash	\$ 99,815	\$ 816,103	\$ 229,434
Interest-bearing deposits	1,486,412	3,068,877	16,638
Investments, at fair value	-	917,621	-
Receivables -			
Taxes	105,789	59,440	5,483
Property assessments	-	-	-
Other	52,478	184	228
Due from other governmental units	50,489	-	-
Due from other funds	1,778,216	110,164	397,248
Advances to other funds	1,500,000	-	-
Total assets	<u>\$ 5,073,199</u>	<u>\$ 4,972,389</u>	<u>\$ 649,031</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 175,148	\$ 28,157	\$ 15,096
Accrued liabilities	84,482	-	-
Unearned revenues	-	-	-
Due to other funds	1,506,645	42,099	633,935
Total liabilities	<u>1,766,275</u>	<u>70,256</u>	<u>649,031</u>
Fund balances			
Nonspendable	1,500,000	-	-
Restricted	663,687	4,902,133	-
Assigned	146,122	-	-
Unassigned (deficit)	997,115	-	-
Total fund balances	<u>3,306,924</u>	<u>4,902,133</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 5,073,199</u>	<u>\$ 4,972,389</u>	<u>\$ 649,031</u>

The accompanying notes are an integral part of the basic financial statements.

Water Plant Construction	Other Governmental Funds	Total Governmental Funds
\$ 892,237	\$ 189,617	\$ 2,227,206
-	1,162,322	5,734,249
-	-	917,621
-	-	170,712
-	6,628	6,628
-	239	53,129
-	-	50,489
-	887,437	3,173,065
-	-	1,500,000
<u>\$ 892,237</u>	<u>\$ 2,246,243</u>	<u>\$ 13,833,099</u>
\$ 534,185	\$ -	\$ 752,586
-	-	84,482
-	6,628	6,628
<u>200</u>	<u>442,126</u>	<u>2,625,005</u>
<u>534,385</u>	<u>448,754</u>	<u>3,468,701</u>
-	-	1,500,000
357,852	2,038,499	7,962,171
-	-	146,122
-	(241,010)	756,105
<u>357,852</u>	<u>1,797,489</u>	<u>10,364,398</u>
<u>\$ 892,237</u>	<u>\$ 2,246,243</u>	<u>\$ 13,833,099</u>

(continued)

CITY OF PATTERSON, LOUISIANA

Balance Sheet (continued)
 Governmental Funds
 June 30, 2018

Reconciliation of the governmental funds balance sheet to the statement of net position:

Total fund balances for governmental funds at June 30, 2018		\$ 10,364,398
Total net position reported for governmental activities in the statement of net position is different because:		
Property assessments in governmental funds are not considered financial resources until collected.		6,628
Expenses paid during the year but attributable to periods after the current year (primarily insurance) are recorded as prepaid expenses in the statement of net position.		19,000
Deferred outflows of resources related to net pension liability are not available resources and, therefore are not reported in the funds		541,514
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Cost of capital assets	17,285,440	
Less: Accumulated depreciation	<u>(5,216,637)</u>	12,068,803
Long-term liabilities, including bonds and certificates payable in the current period, are not reported as liabilities in the funds.		
Bonds and certificates payable	(5,775,000)	
Accrued interest payable	(58,764)	
Net pension liability	<u>(1,641,095)</u>	(7,474,859)
Increase in OPEB liability		(627,371)
Deferred inflows of resources related to net pension liability are not payable from current expendable resources and, therefore, are not reported in the funds		<u>(73,650)</u>
Total net position of governmental activities at June 30, 2018		<u>\$ 14,824,463</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF PATTERSON, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2018

	General	Sewerage and Solid Waste Sales Tax	Ad Valorem Tax Collection
Revenues:			
Taxes	\$ 1,477,055	\$ 709,798	\$ 614,084
Licenses and permits	175,284	-	-
Intergovernmental	297,784	-	-
Charges for services	661,140	-	-
Fines and forfeits	168,539	-	-
Miscellaneous	132,728	9,010	22,238
Total revenues	<u>2,912,530</u>	<u>718,808</u>	<u>636,322</u>
Expenditures:			
Current -			
General government	907,509	-	28,743
Public safety:			
Police	1,952,464	-	-
Fire	47,752	-	-
Sanitation	503,878	-	-
Culture and recreation	90,539	-	-
Streets and drainage	1,032,180	-	-
Capital outlay	342,810	-	-
Debt service -			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>4,877,132</u>	<u>-</u>	<u>28,743</u>
Excess (deficiency) of revenues over expenditures	<u>(1,964,602)</u>	<u>718,808</u>	<u>607,579</u>
Other financing sources (uses):			
Operating transfers in	1,314,442	-	-
Proceeds from issuance of bonds	-	-	-
Proceeds from sale of asset	-	-	-
Operating transfers out	<u>(90,650)</u>	<u>(1,158,848)</u>	<u>(607,579)</u>
Total other financing sources (uses)	<u>1,223,792</u>	<u>(1,158,848)</u>	<u>(607,579)</u>
Net change in fund balances	(740,810)	(440,040)	-
Fund balances, beginning	<u>4,047,734</u>	<u>5,342,173</u>	<u>-</u>
Fund balances, ending	<u>\$ 3,306,924</u>	<u>\$ 4,902,133</u>	<u>\$ -</u>

<u>Water Plant Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 2,800,937
-	-	175,284
-	38,181	335,965
-	-	661,140
-	-	168,539
-	6,529	170,505
<u>-</u>	<u>44,710</u>	<u>4,312,370</u>
665	-	936,917
-	-	1,952,464
-	6,017	53,769
-	-	503,878
-	-	90,539
-	359,035	1,391,215
4,134,104	200,000	4,676,914
-	392,600	392,600
-	173,922	173,922
<u>4,134,769</u>	<u>1,131,574</u>	<u>10,172,218</u>
<u>(4,134,769)</u>	<u>(1,086,864)</u>	<u>(5,859,848)</u>
-	659,490	1,973,932
1,000,000	-	1,000,000
-	65,000	65,000
-	(129,170)	(1,986,247)
<u>1,000,000</u>	<u>595,320</u>	<u>1,052,685</u>
(3,134,769)	(491,544)	(4,807,163)
<u>3,492,621</u>	<u>2,289,033</u>	<u>15,171,561</u>
<u>\$ 357,852</u>	<u>\$ 1,797,489</u>	<u>\$ 10,364,398</u>

(continued)

CITY OF PATTERSON, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Governmental Funds
 Year Ended June 30, 2018

Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities:

Total net changes in fund balances at June 30, 2018 per statement of revenues expenditures and changes in fund balances	\$ (4,807,163)
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on statement of revenues, expenditures and changes in fund balances	4,676,914
Depreciation expense for the year ended June 30, 2018	(323,689)

Proceeds from issuance of bonds are considered as an other financing source on the fund statements	(1,000,000)
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Bond principal repayments and capital lease payments are considered as an expenditure on the fund statement	392,600
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Current year collections of proceeds of assets sold in a prior year are considered revenue in the year of the sale	(65,000)
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Effect of recording OPEB liability resulting in an increase in OPEB liability	(74,944)
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Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability	
Decrease in pension expense	20,325
Nonemployer pension contribution revenue	40,190

Some expenses reported in the statement of activities, such as compensated absences and accrued interest expense, do not require the use of current financial resources and are not reported as expenditures in governmental funds.	<u>(5,386)</u>
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Total changes in net position at June 30, 2018 per statement of activities	<u>\$ (1,146,153)</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF PATTERSON, LOUISIANA

Statement of Net Position
 Proprietary Fund
 June 30, 2018

	ASSETS	<u>Utility Fund</u>
Current assets:		
Cash		\$ 342,708
Interest-bearing deposits		878,062
Investments		326,824
Receivables		
Customer accounts receivable, net		452,186
Accrued interest receivable		76
Other		4,726
Due from other funds		92,442
Prepaid insurance		<u>19,000</u>
Total current assets		<u>2,116,024</u>
Noncurrent assets:		
Restricted assets -		
Cash		301,593
Interest-bearing deposits		140,275
Capital assets, net of accumulated depreciation		<u>2,076,524</u>
Total noncurrent assets		<u>2,518,392</u>
Total assets		<u>4,634,416</u>
Deferred outflows of resources from pensions		<u>233,792</u>

(continued)

CITY OF PATTERSON, LOUISIANA

Statement of Net Position (continued)
 Proprietary Fund
 June 30, 2018

	<u>Utility Fund</u>
LIABILITIES	
Current liabilities:	
Accounts payable	147,771
Accrued liabilities	28,473
Due to other funds	<u>640,502</u>
Total current liabilities	<u>816,746</u>
Noncurrent liabilities:	
Advances from other funds	1,500,000
OPEB liability	164,311
Net pension liability	623,242
Payable from restricted assets - Customers' meter deposits payable	<u>441,868</u>
Total liabilities	<u>3,546,167</u>
Deferred inflows of resources from pensions	<u>37,057</u>
NET POSITION	
Net investment in capital assets	2,076,524
Unrestricted (deficit)	<u>(791,540)</u>
Total net position	<u>\$ 1,284,984</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PATTERSON, LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 Year Ended June 30, 2018

	<u>Utility Fund</u>
Operating revenues:	
Charges for services -	
Gas sales and services	\$ 698,477
Water sales and services	1,120,289
Sewerage service	464,495
Delinquent charges	69,709
Commissions, transfers and reconnections	33,200
Miscellaneous	<u>135,300</u>
Total operating revenues	<u>2,521,470</u>
Operating expenses:	
Administrative	772,194
Gas department	748,624
Water department	758,720
Sewerage department	332,446
Depreciation	<u>188,825</u>
Total operating expenses	<u>2,800,809</u>
Operating loss	(279,339)
Nonoperating revenues (expenses):	
Interest income	<u>3,290</u>
Loss before transfers	(276,049)
Transfers in	<u>12,315</u>
Change in net position	(263,734)
Net position, beginning, as restated	<u>1,548,718</u>
Net position, ending	<u>\$ 1,284,984</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF PATTERSON, LOUISIANA

Statement of Cash Flows
 Proprietary Fund
 Year Ended June 30, 2018

	<u>Utility Fund</u>
Cash flows from operating activities:	
Receipts from customers	\$ 2,495,779
Payments to suppliers	(1,810,319)
Payments to employees	<u>(695,588)</u>
Net cash used by operating activities	<u>(10,128)</u>
 Cash flows from noncapital financing activities:	
Payments from other funds	<u>9,378</u>
 Cash flows from investing activities:	
Maturities of investments and interest-bearing deposits	686,943
Purchase of investments and interest-bearing deposits	(686,967)
Interest on investments	<u>3,290</u>
Net cash provided by investing activities	<u>3,266</u>
 Net increase in cash and equivalents	2,520
 Cash and equivalents, beginning	<u>973,187</u>
 Cash and equivalents, ending	<u>\$ 975,707</u>

(continued)

CITY OF PATTERSON, LOUISIANA

Statement of Cash Flows (continued)

Proprietary Fund

Year Ended June 30, 2018

	<u>Utility Fund</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (279,339)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	188,823
Pension expense, net of nonemployer contributions	36,699
OPEB expense	19,628
Changes in current assets and liabilities:	
Increase in accounts receivable	(34,258)
Increase in other receivables	(74)
Decrease in prepaid insurance	177
Increase in accounts payable	37,148
Increase in accrued liabilities	12,428
Increase in customer meter deposits	<u>8,641</u>
Net cash used by operating activities	<u>\$ (10,128)</u>
Reconciliation of cash and equivalents per statement of cash flows to the statement of net position	
Cash and equivalents, beginning of period -	
Cash and interest-bearing deposits - unrestricted	\$ 1,226,867
Less: Interest-bearing deposits that are not cash equivalents	(546,632)
Cash - restricted	<u>292,952</u>
Total cash and equivalents	<u>973,187</u>
Cash and equivalents, end of period -	
Cash and interest-bearing deposits - unrestricted	1,220,770
Less: Interest-bearing deposits that are not cash equivalents	(546,656)
Cash - restricted	<u>301,593</u>
Total cash and equivalents	<u>975,707</u>
Net increase	<u>\$ 2,520</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The City of Patterson (“City”) was incorporated March 11, 1907, under the provisions of the Lawrason Act. The City operated under a Mayor-Board of Aldermen form of government until December 31, 1992 at which time the City adopted a Home Rule Charter and now operates under an elected Mayor-Council, administrative-legislative form of government. The City’s operations include police and fire protection, streets and drainage, parks and recreation, residential waste collection services, certain social services and general administration services. The City owns and operates an enterprise fund that provides gas, water, and sewer services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to the accounting principles generally accepted in the United States of America applicable to state and local governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513, the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

Government Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set criteria to be considered in determining financial accountability. These criteria include:

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

Based on the aforementioned criteria, the City has no component units.

Related Organizations –

A related organization is an entity for which the primary government is not financially accountable even though the primary government may provide facilities and some financing or appoint a voting majority of the organization’s governing board. Based on the foregoing criteria, the following organizations are considered related organizations to the City and have not been included in the reporting entity:

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Housing Authority of the City of Patterson –

The Housing Authority of the City of Patterson is governed by a board appointed by the management of the City. However, the City's accountability for the housing authority does not extend beyond making the appointments.

Patterson Volunteer Fire Department –

The Patterson Volunteer Fire Department is governed by a group of volunteer citizens. The City provides facilities and some financing to the Volunteer Fire Department but the Department is not fiscally dependent on the City. However, the City includes revenues received and expenditures paid for the Volunteer Fire Department as part of its general fund.

Joint Ventures –

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City has entered into joint venture arrangements with other governmental entities for the operation of the Wards 5 and 8 Joint Sewer Commission. See Note 17 for further discussion of the City's relationship with the Wards 5 and 8 Joint Sewer Commission.

B. Basis of Presentation

Government-Wide Financial Statements

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. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements

The accounts of the City are organized 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.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

The various funds of the City are classified into two categories: governmental and proprietary. 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.

Governmental funds are those through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses, and balances of current financial resources.

The major governmental funds of the City are described below:

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.

Sewerage and Solid Waste Sales Tax Fund

This fund is used to account for the receipt and use of proceeds of the City's $\frac{3}{4}$ % sales and use tax. These taxes are dedicated to the construction, acquisition, extension, improvement, operation and maintenance of solid waste collection and disposal facilities.

Ad Valorem Tax Collection Fund

This fund is used to account for the receipt and distribution of the City's ad valorem taxes collected under its general alimony (8.20) and debt service (14.00) millages.

Water Plant Construction Fund

This fund is used to account for the use of financial resources to be used in the construction of a new water plant for the City.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Proprietary funds are 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. Proprietary funds distinguish operating revenues expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund’s ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City has presented the following proprietary fund as a major fund:

Utility Fund

The Utility Fund is used to account for the provision of gas, water and sewer services to the residents of the City and certain unincorporated areas surrounding the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operations, maintenance, financing and related debt service, and billing and collection of user charges.

Additionally, the City reports the following fund types:

Governmental Funds –

Special revenue funds

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

Debt service funds

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

Capital projects funds

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

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.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Measurement Focus

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

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, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities and Net Position or Equity

Cash, Interest-bearing Deposits, and investments

For the purpose of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit of the City. Interest-bearing deposits are stated at cost, which approximates market.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Under state law, the City may deposit funds with a fiscal agent 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 United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principle offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Investments are stated at fair value as determined by quoted market prices. If quoted market prices are not available, fair value is estimated by determining the fair value of investments possessing similar yield, maturity, and repayment and risk characteristics. At June 30, 2018, there were no investments whose fair values were required to be estimated.

For the purpose of the proprietary fund statement of cash flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

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

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes and amounts due from others (including other governments) for goods or services provided for which payment has not yet been received. Business-type activities report customer’s utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectible customers’ utility receivables was \$134,312 at June 30, 2018. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end. The estimate for unbilled utility service receivables at June 30, 2018 was \$25,807.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated historical cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$1,000 or more for capitalizing assets.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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 assets. 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	40 years
Equipment	5-7 years
Utility system and improvements	25 years
Infrastructure	20-50 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. In the government-wide financial statements, capital assets are accounted for in the same manner as in proprietary fund operations where assets are capitalized and depreciation is provided over the assets' estimated useful lives.

Restricted Assets

Restricted assets include cash and interest-bearing deposits that are legally restricted as to their use. The City's restricted assets are related to its utility customer meter deposits.

Long-term debt

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of compensated absences payable, bonds and certificates payable, obligations under capital leases, and utility meter deposits payable.

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

Compensated Absences

Vacation and sick leave are recorded as expenditures of the period in which paid. Vacation credits are earned by employees range from 5-22 days per year depending upon length of service. Vacation must be taken in the year earned and cannot be carried over. Sick leave does not accumulate and is not payable at termination of employment.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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 that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints 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, provisional or enabling legislation.
- c. Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund financial statements

Proprietary fund equity is classified the same as in the government-wide statements. Governmental fund equity is classified as fund balance. Fund balance for the City’s governmental funds is displayed depicting the relative strength of the spending constraints placed on the purposes for which resources can be used. In the governmental fund financial statements, fund balances are classified as follows:

- a. 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.
- b. 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.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The City 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 City Council members.
- d. 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 the Mayor may assign amounts for specific purposes.
- e. Unassigned – all other spendable amounts.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers the 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 City Council members or the Mayor has provided otherwise in its commitment or assignment actions.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the governmental funds' financial statements, expenditures are classified by character. In the proprietary fund financial statements, expenditures are classified as operating or non-operating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Capitalization of Interest Expense

It is the policy of the City to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets.

G. Pensions

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 positions of the Municipal Employees Retirement System (MERS) and Municipal Police Employees Retirement System (MPERS), and additions to/deductions from the retirement systems' net positions have been determined on the same basis as they are reported by the respective systems. 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.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 basic financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash, Interest-bearing deposits and investments

A. Cash and Interest-bearing Deposits

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 2018, the City has cash and interest-bearing deposits (book balances) totaling \$9,624,093, as follows:

Demand deposits	\$ 2,871,507
Money market accounts and time deposits	<u>6,752,586</u>
Total	<u>\$ 9,624,093</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2018, were secured as follows:

Bank balances	<u>\$ 9,800,234</u>
Federal deposit insurance	\$ 500,000
Pledged securities	<u>9,300,234</u>
Total federal deposit insurance and pledged securities	<u>\$ 9,800,234</u>

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 the City will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At June 30, 2018, deposits in the amount of \$9,300,234 were exposed to custodial credit risk since the deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the City's name.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

B. Investments

The City's policy does not further limit its investment choices beyond the restrictions imposed by state statute. State law allows the investment in direct United States Treasury obligations, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or U.S. Government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book entry only securities guaranteed by the U.S. Government; time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana; savings account or shares of certain savings and loan associations and savings banks; certain accounts of federally or state chartered credit unions; certain mutual or trust fund institutions; certain guaranteed investment contracts; and investment grade commercial paper of domestic United States corporations.

At June 30, 2018, the City had the following investments and maturities (in years):

<u>Description</u>	<u>Category</u>	<u>Interest Rate</u>	<u>Fair Value</u>	<u>Less Than 1</u>
Governmental Activities:				
United States Government- Securities Fund	N/A	Various	\$ 917,621	\$ 917,621
Business-Type Activities:				
United States Government- Securities Fund	N/A	Various	<u>326,824</u>	<u>326,824</u>
			<u>\$ 1,244,445</u>	<u>\$ 1,244,445</u>

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment. The City's investment policy conforms to state law, as described above, which has no provision for custodial credit risk.

Concentration of credit risk relates to the amount of investments in any one entity. At June 30, 2018, the City had no investments in any entity which exceeded 5% of total investments.

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy conforms to state law, which does not include a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018, the City had no investments with future maturities in excess of one year.

Credit risk is defined as the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The City invested only in obligations of federal or state agencies which are not rated. The type of investment allowed by state law ensures that the City is not exposed to credit risk.

In accordance with GASB Statement No. 31, the City recognizes the net increase (decrease) in the fair value of its investments. For the year ended June 30, 2018, the fair value of the City's investments increased \$6,759. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Fair Value Measurements

The City measures and records its investments using fair value guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 – quoted prices for identical investments in active markets
- Level 2 – observable inputs other than quoted market prices
- Level 3 – unobservable inputs

The City's investments are measured at fair value on a recurring basis. At June 30, 2018, the City's investments are valued using quoted market prices (Level 1 inputs).

(3) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Mary Parish. City property tax revenues are budgeted in the year billed.

For the year ended June 30, 2018, taxes of 22.20 mills were levied on property with assessed valuations totaling \$27,715,735 and were dedicated as follows:

General corporate purposes	8.20 mills
Debt service	14.00 mills

Total taxes levied were \$615,289. The amount of taxes receivable at June 30, 2018 was \$5,483.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(4) Interfund Transactions

A. Receivables and Payables

Interfund receivables and payables at June 30, 2018 consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
General Fund	\$ 1,778,216	\$ 1,506,645
Sewerage and Solid Waste Sales Tax Fund	110,164	42,099
Ad Valorem Tax Collection Fund	397,248	633,935
Water Plant Construction Fund	-	200
Other nonmajor governmental funds	887,437	442,126
Business-type Activities:		
Utility Fund	92,442	640,502
Total	<u>\$ 3,265,507</u>	<u>\$ 3,265,507</u>
Advances to/from other funds:		
General Fund	\$ 1,500,000	\$ -
Utility Fund	-	1,500,000
Total advances to/from other funds	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

Interfund receivables and payables arise as a result of transactions between funds when there is an expectation that the disbursing fund will be repaid or reimbursed by the recipient fund.

B. Operating transfers

Transfers between funds for the year ended June 30, 2018 were:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ 1,314,442	\$ 90,650
Sewerage and Solid Waste Sales Tax Fund	-	1,158,848
Ad Valorem Tax Collection Fund	-	607,579
Other nonmajor governmental funds	659,490	129,170
Business-type Activities:		
Utility Fund	12,315	-
	<u>\$ 1,986,247</u>	<u>\$ 1,986,247</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(5) Receivables

Receivable balances at June 30, 2018, are as follows:

	Governmental Activities				
	General	Sewerage and Solid Waste Sales Tax	Ad Valorem Tax Collection	Other Governmental Funds	Total Governmental Funds
Taxes	\$ 105,789	\$ 59,440	\$ 5,483	\$ -	\$ 170,712
Property assessments	-	-	-	6,628	6,628
Other					
Accrued interest	91	184	-	228	503
Franchise fees	52,387	-	-	-	52,387
Other	-	-	228	11	239
Total receivable	<u>\$ 158,267</u>	<u>\$ 59,624</u>	<u>\$ 5,711</u>	<u>\$ 6,867</u>	<u>\$ 230,469</u>

	Business-Type Activities Utility Fund
Customer accounts	\$ 586,498
Less: allowance for uncollectibles	<u>(134,312)</u>
Net customer accounts receivable	452,186
Other receivables	<u>4,802</u>
Receivables, net	<u>\$ 456,988</u>

(6) Due from other Governmental Units

Amounts due from other governmental units at June 30, 2018 consisted of the following:

Governmental Activities -

Beer and tobacco taxes due from the State of Louisiana	\$ 1,328
Video poker receipts due from the State of Louisiana	6,356
Prisoner maintenance fees due from the State of Louisiana	19,488
Prisoner maintenance fees due from the St. Mary Parish Government	19,110
Occupational licenses fees due from the St. Mary Parish Government	2,964
Other miscellaneous fees due from the St. Mary Parish Government	<u>1,243</u>
	<u>\$ 50,489</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(7) Restricted Assets

Restricted assets consisted of the following at June 30, 2018:

Customers' deposits \$ 441,868

(8) Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>6/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2018</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 430,826	\$ 31,500	\$ -	\$ 462,326
Construction in progress	1,621,262	4,634,855	-	6,256,117
Other capital assets:				
Buildings	2,813,938	-	-	2,813,938
Improvements other than buildings	51,316	-	-	51,316
Equipment, furniture & fixtures	3,001,643	10,559	-	3,012,202
Infrastructure	<u>4,689,541</u>	<u>-</u>	<u>-</u>	<u>4,689,541</u>
Totals	<u>12,608,526</u>	<u>4,676,914</u>	<u>-</u>	<u>17,285,440</u>
Less accumulated depreciation				
Buildings	(1,301,253)	(71,610)	-	(1,372,863)
Equipment, furniture & fixtures	(2,575,175)	(121,479)	-	(2,696,654)
Infrastructure	<u>(1,016,520)</u>	<u>(130,600)</u>	<u>-</u>	<u>(1,147,120)</u>
Total accumulated depreciation	<u>(4,892,948)</u>	<u>(323,689)</u>	<u>-</u>	<u>(5,216,637)</u>
Governmental activities, capital assets, net	<u>\$ 7,715,578</u>	<u>\$ 4,353,225</u>	<u>\$ -</u>	<u>\$ 12,068,803</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Capital assets activity for the business-type activities for the year ended June 30, 2018 was as follows:

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 107,200	\$ -	\$ -	\$ 107,200
Construction in progress	57,025	-	-	57,025
Other capital assets:				
Gas distribution system	2,157,664	-	-	2,157,664
Water distribution system	2,875,672	-	-	2,875,672
Sewer treatment system	5,943,985	-	-	5,943,985
Machinery and equipment	284,769	-	-	284,769
Totals	<u>11,426,315</u>	<u>-</u>	<u>-</u>	<u>11,426,315</u>
Less accumulated depreciation				
Gas distribution system	(1,945,309)	(53,115)	-	(1,998,424)
Water distribution system	(2,786,360)	(29,411)	-	(2,815,771)
Sewer treatment system	(4,179,287)	(99,986)	-	(4,279,273)
Machinery and equipment	(250,012)	(6,311)	-	(256,323)
Total accumulated depreciation	<u>(9,160,968)</u>	<u>(188,823)</u>	<u>-</u>	<u>(9,349,791)</u>
Business-type activities, capital assets, net	<u>\$ 2,265,347</u>	<u>\$ (188,823)</u>	<u>\$ -</u>	<u>\$ 2,076,524</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 65,571
Police	66,001
Fire	43,368
Streets and drainage	145,190
Culture and recreation	3,559
Total depreciation expense	<u>\$ 323,689</u>

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

Administrative	\$ 6,311
Gas	53,115
Water	29,411
Sewer	99,986
Total depreciation expense	<u>\$ 188,823</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

The annual requirements to amortize all long-term debt outstanding as of June 30, 2018,

Year Ending June 30,	Public Improvement Sales Tax Bonds		General Obligation Bonds		Limited Tax Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 65,000	\$ 7,762	\$ 225,000	\$ 135,625	\$ 160,000	\$ 46,580	\$ 450,000	\$ 189,967
2020	70,000	4,026	230,000	127,750	170,000	42,514	470,000	174,290
2021	-	-	240,000	119,700	175,000	38,176	415,000	157,876
2022	-	-	245,000	111,300	175,000	33,666	420,000	144,966
2023	-	-	255,000	102,725	185,000	29,138	440,000	131,863
2024-2028	-	-	1,390,000	374,325	900,000	70,611	2,290,000	444,936
2029-2032	-	-	1,290,000	114,975	-	-	1,290,000	114,975
	<u>\$ 135,000</u>	<u>\$ 11,788</u>	<u>\$ 3,875,000</u>	<u>\$ 1,086,400</u>	<u>\$ 1,765,000</u>	<u>\$ 260,685</u>	<u>\$ 5,775,000</u>	<u>\$ 1,358,873</u>

Covenants/Restrictions:

The various bond indentures contain significant limitations and restrictions as to annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds. Resolutions concerning dedication of sales tax proceeds specify restrictions as to how the funds may be expended. The City is in compliance with all such significant limitations and restrictions at June 30, 2018.

Assets in assessment certificates funds are restricted for the retirement of any outstanding principal and interest remaining on the certificates obligations. Assets remaining in these funds after the retirement of the outstanding obligations may be used only for the repair and maintenance of the streets improved from the proceeds of the original certificate issue.

(10) Governmental Fund Balances

As of June 30, 2018, governmental fund balances are comprised of the following:

	General Fund	Sewerage and Solid Waste Sales Tax	Water Plant Construction Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Interfund advances	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000
Restricted					
Debt retirement	-	-	-	795,058	795,058
Capital expenditures	-	-	357,852	913,103	1,270,955
Law enforcement	663,687	-	-	-	663,687
Sewerage and solid waste	-	4,902,133	-	-	4,902,133
Street repairs	-	-	-	330,338	330,338
Assigned					
Street repairs	146,122	-	-	-	146,122
Unassigned (deficit)	997,115	-	-	(241,010)	756,105
	<u>\$ 3,306,924</u>	<u>\$ 4,902,133</u>	<u>\$ 357,852</u>	<u>\$ 1,797,489</u>	<u>\$ 10,364,398</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(11) Leases

The City has entered into financing agreements for the acquisitions of firefighting equipment as follows:

Firefighting Equipment

In 2012, the City entered into a financing agreement for the acquisition of an additional pumper. The acquisition cost of this pumper was \$228,406 and was financed with a \$50,000 down payment and five annual payments of principal and interest totaling \$38,612 per year.

In the fund financial statements, the acquisition costs were reported as capital outlay with corresponding capital lease proceeds reported as an "other financing source". The government-wide financial statements report the acquisitions as a capital asset in the governmental activities with the corresponding obligations reported as a liability.

The final payment to satisfy the obligations under the capital lease obligation was made during the year ended June 30, 2018.

(12) Dedication of Proceeds and Flow of Funds-Sales and Use Taxes

The City collects sales taxes under four sales tax levies as follows:

- A. Proceeds of a 1% parish wide sales and use tax levied in 1966 (2018 collections \$705,945; 2017 collections \$694,602; 2016, \$716,203). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to each participating municipality on a monthly basis. The City's allocation is 4.7818% of the first \$1,500,000 of net taxes collected. Fifty percent of any collection in excess of \$1,500,000 is divided proportionately among the participating municipalities according to their respective populations as reflected by the most recent federal census or most recent special census. Proceeds of this tax shall be used for the following purposes: construction, acquisition, improvement, maintenance and repairs of streets, capital improvements, public works and buildings (including the acquisition of sites and necessary fixtures, equipment, furnishings and appurtenances, and the payment of obligations and refunding obligations which have been or may be issued for the purpose of acquiring and improving public works and buildings); for payment or supplementing salaries of all municipal employees; for the operation of recreational facilities; for the acquisition, maintenance, repairs and payment of operating expenses of equipment, vehicles, and other machinery owned by the municipality; and for any other public purpose authorized by state law.
- B. Proceeds of a ¾% sales and use tax originally levied in 1974 (2018 collections \$709,898; 2017 collections \$699,745; 2016, \$719,612). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly among the participating municipalities according to their respective populations as reflected by the most recent federal census or the most recent special census. Proceeds are to be used for the construction, acquisition, extension, improvement, operation and maintenance of solid waste collection and disposal facilities, sewers and sewerage disposal works, and other facilities for pollution control and abatement; and to pay debt service requirements on bonds issued for any of the above-mentioned purposes. The tax was reapproved for levy in 1987. At the time of reauthorization,

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

voters approved a provision authorizing that the proceeds could also be used for law enforcement and fire protection costs.

- C. Proceeds of a 3/10% sales and use tax levied in 1982 (2018 collections \$249,411; 2017 collections \$226,242; 2016, \$247,399). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly among the participating municipalities according to their respective populations as reflected by the most recent federal census or the most recent special census. Proceeds are dedicated to the following purposes: operating and maintaining the police department, including the acquisition and maintenance of equipment and supplies; paying or supplementing the salaries of municipal employees; and purchasing, constructing, acquiring, extending and/or improving all or any portion of public works or capital improvements, including but not limited to the construction, improvement and maintenance of drainage, water, and flood control extensions and improvements and the acquisition, construction, improvement, maintenance and repair of streets, roads, and bridges.
- D. Proceeds of a ½% parish wide sales and use tax levied in 2000 (2018 collections \$236,572; 2017 collections \$233,199; 2016, \$239,809). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to the St. Mary Parish Sheriff, the Parish of St. Mary and each participating municipality on a monthly basis. Proceeds of this tax may be used by the municipalities for any lawful law enforcement purpose.

(13) Employee Retirement

Eligible employees of the City participate in one of two multiple-employer public employee retirement systems (PERS), which are controlled and administered by two separate boards of trustees. These retirement systems provide retirement, disability and death benefits to plan members and their beneficiaries. Benefits under each system are established and amended by state statutes. Pertinent information for each system follows:

A. Municipal Employees' Retirement System (MERS)

Plan Description: MERS was established by Act 356 of the 1954 regular session of the Louisiana Legislature. MERS 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. The City participates in Plan B of MERS.

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.

Retirement Benefits: Any member of Plan B who was hired before January 1, 2013 can retire providing the members 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) or more years of creditable service.
3. Any age with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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 specified amounts.

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

1. Seven (7) year or more of service, at age sixty-seven or thereafter.
2. Ten (10) years or more of service, at age sixty-two, or thereafter.
3. Thirty (30) years or more of service, at age fifty-five or thereafter.
4. Twenty-five (25) 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 married no less than twelve (12) months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable for as long as the surviving spouse lives, or
2. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon 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 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.

Deferred Retirement Option Plan (DROP) Benefits: In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible 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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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.

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

Deferred Benefits: 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 the time of withdrawal.

Employer 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, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2017, the actual employer contribution rate for Plan B was 11%.

Non-Employer Contributions: According to state statute, the System also receives one-fourth (1/4) of 1% of ad valorem taxes within the respective parish and state revenue sharing funds. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At June 30, 2018, The City reported liabilities in its government-wide financial statements of \$623,241 and \$623,242 in its governmental activities and its business-type activities, respectively for its proportionate share of the net pension liabilities of MERS. The net pension liabilities were measured as of June 30, 2017 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, 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, 2017, the City's proportional share of MERS was 1.440633%, which was a decrease of 0.054657% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$114,570 and \$128,674 in its governmental activities and its business-type activities, respectively, related to its participation in MERS.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,264	\$ 13,530	\$ 3,265	\$ 13,530
Changes of assumptions	27,442	-	27,441	-
Net difference between projected and actual earnings on pension plan investments	131,314	-	131,314	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	(302)	23,528	(303)	23,527
Employer contributions subsequent to the measurement date	<u>72,075</u>	<u>-</u>	<u>72,075</u>	<u>-</u>
	<u>\$ 233,793</u>	<u>\$ 37,058</u>	<u>\$ 233,792</u>	<u>\$ 37,057</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

The \$144,150 reported as deferred outflows of resources related to pensions resulting from City contributions to MERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2019	\$ 44,401	\$ 44,400	\$ 88,801
2020	49,444	49,444	98,888
2021	24,907	24,908	49,815
2022	5,908	5,908	11,816
	<u>\$ 124,660</u>	<u>\$ 124,660</u>	<u>\$ 249,320</u>

Actuarial Assumptions: A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

	<u>Municipal Employees' Retirement System (MERS)</u>
Valuation Date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost
Actuarial cost assumptions:	
Expected remaining service lives	4 years
Investment rate of return	7.4%, net of investment expense
Projected salary increases	5.00% (2.775% Inflation, 2.225% Merit)
Annuitant and beneficiary mortality	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	RP-2000 Employees Sex Distinct Table set back 2 years for both males and females.
Disabled lives mortality	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 for females.

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the MERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public Equity	50%	2.30%
Public fixed income	35%	1.60%
Alternatives	<u>15%</u>	<u>0.70%</u>
Totals	<u>100%</u>	4.60%
Inflation		<u>2.60%</u>
Expected Arithmetic Nominal Return		<u>7.20%</u>

Discount Rate: The discount rate used to measure the total pension liability was 7.4% for MERS. 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.

Sensitivity to Changes in Discount Rate: The following presents the employers' proportionate share of the net pension liability using the applicable discount rate as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Changes in Discount Rate:		
	MERS - Plan B		
	1% Decrease	Current Discount Rate	1% Increase
	<u>6.40%</u>	<u>7.40%</u>	<u>8.40%</u>
Net Pension Liability	<u>\$1,612,809</u>	<u>\$1,246,483</u>	<u>\$933,874</u>

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The City recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2018, the City recognized revenue as a result of support received from non-employer contributing entities of \$35,867 for its participation in MERS.

Payables to the Pension Plan: The City recorded accrued liabilities to MERS for the year ended June 30, 2018, primarily due to the accrual for payroll at the end of the fiscal year. The

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

amounts due are included in liabilities under the amounts reported as accounts and other payables. The balance due to MERS as of June 30, 2018 is \$11,412.

Pension Plan Fiduciary Net Positions: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for MERS available at www.mersla.com.

B. Municipal Police Employees' Retirement System (MPERS)

Plan Description: The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, provided 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.

The Municipal Police Employees' Retirement System of Louisiana issues a stand-alone report on their financial statements. Access to the audit report can be found on the System's website: www.lampers.org or on the Louisiana Legislative Auditor's website, www.lla.state.la.us.

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

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

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are 3% and 2.50%, 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 the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under conditions outlined in state statute, benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater. If deceased member had less than 10 years of service, beneficiary will receive a refund of employee contributions only.

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

No regular retiree, survivor or beneficiary shall be eligible to receive a cost of living adjustment until benefits have been received at least one full fiscal year and 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 (DROP): A member is eligible to enter DROP when he is eligible for regular retirement based on the member's sub plan participation. Upon filing the application for the program, the employee's active membership in the system is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited in to 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 36 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 in 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 negative earnings rate being applied to the account.

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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

Employer Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year but cannot be less than 9% of the employee's earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2017, total contributions due for employers and employees were 41.75%. The employer and employee contribution rates for members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 31.75% and 10%, respectively. The employer and employee contribution rates for all Non Hazardous Duty members hired after January 1, 2013 were 33.75% and 8%, respectively. The employer and employee contribution rates for members whose earnable compensation is less than or equal to the poverty guidelines issued by the U.S. Department of Health and Human Services were 34.25% and 7.5%, respectively.

Non-Employer Contributions: MPERS 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 report. Non-employer contributions are recognized as revenue when received and excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At June 30, 2018, The City reported liabilities in its government-wide financial statements of \$1,017,854 in its governmental activities for its proportionate share of the net pension liabilities of MPERS. The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, 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, 2017, the City's proportional share of MPERS was 0.116587%, which was an increase of 0.016109% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized a pension expense of \$23,113 in its governmental activities related to its participation in MPERS.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,665	\$ 7,823
Changes of assumptions	72,426	-
Net difference between projected and actual earnings on pension plan investments	44,558	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	97,948	28,769
Employer contributions subsequent to the measurement date	<u>86,124</u>	<u>-</u>
	<u>\$ 307,721</u>	<u>\$ 36,592</u>

The \$86,124 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

<u>Year</u>	
2019	\$ 64,919
2020	76,852
2021	67,116
2022	<u>(23,882)</u>
	<u>\$ 185,005</u>

Contributions – Proportionate Share: Differences between contributions remitted to the System and the employer’s proportionate share are 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 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.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Actuarial 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, 2018 are as follows:

	Municipal Police Employees' Retirement System (MPERS)	
Valuation Date	June 30, 2017	
Actuarial cost method	Entry Age Normal Cost	
Actuarial cost assumptions:		
Expected remaining service lives	4 years	
Investment rate of return	7.325%, net of investment expense	
Inflation rate	2.700%	
Projected salary increases	Yrs of Service	Salary Growth
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants RP-2000 Employee Table set back 4 years for males and 3 years for females for active members	
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2017 are summarized in the following table:

Asset Class	June 30, 2017	
	Target Allocation	Long Term Expected Portfolio Real Rate of Return
Equity	53%	3.66%
Fixed Income	21%	0.52%
Alternative	20%	1.10%
Other	6%	0.16%
Totals	<u>100%</u>	<u>5.44%</u>
Inflation		<u>2.75%</u>
Expected Nominal Return		<u>8.19%</u>

The discount rate used to measure the total pension liability was 7.325% for MPERS. The projection of cash flows used to determine the discount rates 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 employers' proportionate share of the net pension liability using the applicable discount rate as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Changes in Discount Rate:		
	MPERS		
	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability	<u>\$ 1,406,263</u>	<u>\$ 1,017,854</u>	<u>\$ 692,006</u>

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The City recognizes revenue in an amount equal to its

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2018, the City recognized revenue as a result of support received from non-employer contributing entities of \$22,257 for its participation in MPERS.

Payables to the Pension Plan: The City recorded accrued liabilities to MPERS for the year ended June 30, 2018, primarily due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as accounts and other payables. The balance due to MPERS as of June 30, 2018 is \$3,140.

Pension Plan Fiduciary Net Positions: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for MPERS available at www.lampers.org.

(14) Post-Employment Benefits

Effective with the fiscal year beginning July 1, 2017, the City implemented Government Accounting Standards Board Statement Number 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 75).

Plan Description and Funding Policy

The City's defined benefit postemployment health care plan provides OPEB to eligible retired employees and their beneficiaries until the retiree attains the age of 65. The plan provides OPEB for permanent full-time employees of the City participating in the City's group health insurance plan. The City's OPEB plan is a single employer defined benefit OPEB plan administered by the City. Benefits are provided through the City's group health insurance carrier. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The premium rates are established and may be amended by the group health insurance carrier with the City determining the contribution requirements of the retirees.

Once the retiree becomes eligible to obtain Medicare supplement insurance, the retiree and their dependents are no longer eligible to participate in the City's group health insurance plan. The retiree is eligible to obtain a medicare supplemental insurance policy through the OPEB plan. Premiums are determined by the group health insurance carrier with the City contributing 75% of the premium amount.

Benefits Provided

The City provides medical benefits for retirees and their dependents. The benefit terms provide for payment of 75% of retiree pre-Medicare health insurance premiums. The plan also provides for payment of 75% of Medicare Supplemental insurance payments.

Employees Covered by Benefit Terms

At June 30, 2018, there were a total of 45 employees covered by the benefit terms. Of these 45 employees, 37 were active employees and 8 were inactive employees currently receiving benefits payments.

The City's total OPEB liability of \$791,682 was measured as of June 30, 2018 and was determined by the alternative measurement method. Small employers with less than 100 total plan participants are

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

eligible to use the alternative measurement method.

Key Assumptions and Other Inputs

The total OPEB liability as of June 30, 2018 was determined using the following key assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases, including inflation	2.00%
Discount rate	3.62%
Percentage participation	100.00%
Healthcare cost trend rates	
Medical	Initially 4.6%, increasing 0.1% per year to year 3, then remaining level through year 6, then decreasing 0.1% in year 7 and remaining at 4.70% through year 10
Retirees' share of benefit-related costs	
Medical	25% for retirees and 25% for dependents
Medicare supplement	25% for retirees

The discount rate was based on the June 30, 2018 Fidelity General Obligation AA 20-Year Yield.

Mortality rates for active employees were based on the RP-2000 Mortality Table for Males and Females Projected 18 years.

Changes in Total OPEB Liability:

	Governmental Funds	Business-Type Funds	Total OPEB Liability
Balance at 6/30/2017	\$ 552,427	\$ 144,683	\$ 697,110
Charges for the year:			
Service cost	35,313	9,249	44,562
Interest on OPEB liability	20,571	5,387	25,958
Effect of economic gains and losses	24,655	6,457	31,112
Differences between expected and actual experience	(5,595)	(1,465)	(7,060)
Net changes	74,944	19,628	94,572
Balance at 6/30/2018	\$ 627,371	\$ 164,311	\$ 791,682

Sensitivity of the total OPEB liability to changes in the discount rate

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that 1-percentage-point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

	<u>1% Decrease (2.62%)</u>	<u>Discount Rate (3.62%)</u>	<u>1% Increase (4.62%)</u>
Total OPEB Liability	<u>\$ 854,026</u>	<u>\$ 791,682</u>	<u>\$ 736,775</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point high than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 728,795</u>	<u>\$ 791,682</u>	<u>\$ 863,460</u>

(15) Social Security System

All employees of the City participate in the Social Security System. The City and its employees contribute a percentage of each employee's salary to the System (7.65% contributed by the City and 7.65% by the employee). The City's contribution during the year ended June 30, 2018 was \$176,174.

(16) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The City is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended June 30, 2018. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(17) Compensation of City Officials

A detail of compensation paid to the City Council for the year ended June 30, 2018 follows:

Mayor:	
Rodney Grogan	\$ <u>42,000</u>
Council:	
Travis Darnell	\$ 6,000
Larry Mendoza	6,000
John Rentrop	6,000
Joseph C. Russo, III	6,000
Sandra Turner	<u>6,000</u>
	<u>\$ 72,000</u>

Act 706 of the 2014 Legislative Session amended R.S. 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. Payments to and on behalf of the City’s chief officer, Mayor Rodney Grogan, for the year ended June 30, 2018 are as follows:

Salary	\$ 42,000
Benefits - insurance	6,820
Benefits - retirement	4,200
Mileage reimbursement	5,791
Conference travel/lodging/meals	<u>4,683</u>
	<u>\$ 63,494</u>

(18) Joint Venture

The City is a participant in a joint venture with the Parish of St. Mary, St. Mary Parish Water and Sewer Commission No. 3, and the Town of Berwick for operating and maintaining a sewerage disposal system. The system is operated by a five-member board of commissioners, appointed one each by the City, St. Mary Parish Water and Sewer Commission No. 3, and the Town of Berwick, and two appointed by the St. Mary Parish Council (one each from Ward 5 and Ward 8 of St. Mary Parish).

The costs of constructing the system, which amounted to approximately \$10,300,000, were paid by the participants in the following percentages:

City of Patterson	27.75%
Town of Berwick	27.05%
St. Mary Parish	<u>45.20%</u>
	<u>100.00%</u>

The board operates and maintains the system as the “St. Mary Parish Wards 5 and 8 Joint Sewerage Commission”. Operating expenses are paid from revenues generated by charging the participants a monthly fee based on a percentage of water consumption by residents of participating

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

units. The City finances its share of the fees paid from the Utility Fund and has not included its 27.75% share of the system in these financial statements.

Following is a summary of the financial statements issued by the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission as of September 30, 2017 which includes only the assets and liabilities required in operating and maintaining the system and does not include the original \$10,300,000 construction cost paid by the participants.

The balance sheet reflected the following:

Total assets and deferred outflows of resources	\$ 1,716,254
Total liabilities and deferred inflows of resources	<u>164,955</u>
Total net position	<u>\$ 1,551,299</u>

The statement of revenues and expenses for the fiscal year ended September 30, 2017 reflected the following:

Operating revenues	\$ 1,003,877
Nonoperating revenues	3,104
Operating expenses	<u>(969,668)</u>
Change in net position	<u>\$ 37,313</u>

Additional information may be obtained from the separately issued financial statements of the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission for the year ended September 30, 2017.

(19) Deficit Fund Balances

The following nonmajor funds reported deficit unassigned fund balances at June 30, 2018:

Debt Service Fund	
Public Improvement Sales Tax Bonds	\$ 102,638
1990 Paving Assessments Fund	107,814
Capital Projects Fund	
2002 Paving Project Construction Fund	30,558

The deficits resulted from the expenditure of funds obligated to repay interfund loans.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(20) Restatement of Net Position

During the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*. The effect of the implementation of the new standard on prior years was computed and reported in the current year financial statements as a restatement of the beginning net position of the City's governmental activities, business-type activities, and its proprietary fund. The restatement of the beginning net position is as follows:

	<u>Government-Wide Financial Statements</u>		
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Proprietary Fund</u>
Beginning balance, before restatement	\$16,523,043	\$1,838,084	\$1,838,084
Implementation of GASB Statement No. 75	<u>(552,427)</u>	<u>(144,683)</u>	<u>(144,683)</u>
Beginning balance, as restated	<u>\$15,970,616</u>	<u>\$1,693,401</u>	<u>\$1,693,401</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 1,457,500	\$ 1,444,194	\$ 1,477,055	\$ 32,861
Licenses and permits	176,200	162,790	175,284	12,494
Intergovernmental	328,306	312,680	297,784	(14,896)
Charges for services	573,722	571,351	661,140	89,789
Fines and forfeits	355,000	161,367	168,539	7,172
Miscellaneous	48,552	70,759	132,728	61,969
Total revenues	<u>2,939,280</u>	<u>2,723,141</u>	<u>2,912,530</u>	<u>189,389</u>
Expenditures:				
Current -				
General government:				
Administrative	754,319	834,832	782,948	51,884
Mechanic shop	96,035	125,918	124,561	1,357
Public safety:				
Police	1,779,680	1,888,647	1,952,464	(63,817)
Fire	61,061	44,721	47,752	(3,031)
Streets and drainage	528,617	549,164	1,032,180	(483,016)
Culture and recreation	78,170	80,407	90,539	(10,132)
Sanitation	436,000	453,991	503,878	(49,887)
Capital outlay	110,000	407,059	342,810	64,249
Total expenditures	<u>3,843,882</u>	<u>4,384,739</u>	<u>4,877,132</u>	<u>(492,393)</u>
Deficiency of revenues over expenditures	<u>(904,602)</u>	<u>(1,661,598)</u>	<u>(1,964,602)</u>	<u>(303,004)</u>
Other financing sources (uses):				
Operating transfers out	(75,031)	(94,731)	(90,650)	4,081
Operating transfers in	<u>979,688</u>	<u>1,124,997</u>	<u>1,314,442</u>	<u>189,445</u>
Total other financing sources (uses)	<u>904,657</u>	<u>1,030,266</u>	<u>1,223,792</u>	<u>193,526</u>
Net change in fund balance	55	(631,332)	(740,810)	(109,478)
Fund balance, beginning	<u>4,047,734</u>	<u>4,047,734</u>	<u>4,047,734</u>	<u>-</u>
Fund balance, ending	<u>\$ 4,047,789</u>	<u>\$ 3,416,402</u>	<u>\$ 3,306,924</u>	<u>\$ (109,478)</u>

See accompanying notes to budgetary comparison schedules.

CITY OF PATTERSON, LOUISIANA
Sewerage and Solid Waste Sales Tax Fund

Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ (675,000)	\$ (711,788)	\$ 709,798	\$ 1,421,586
Interest on deposits	(4,500)	(4,435)	9,010	13,445
Total revenues	(679,500)	(716,223)	718,808	1,435,031
Other financing sources (uses):				
Operating transfers out	(981,000)	(970,000)	(1,158,848)	(188,848)
Net change in fund balance	(1,660,500)	(1,686,223)	(440,040)	1,246,183
Fund balance, beginning	5,342,173	5,342,173	5,342,173	-
Fund balance, ending	<u>\$ 3,681,673</u>	<u>\$ 3,655,950</u>	<u>\$ 4,902,133</u>	<u>\$ 1,246,183</u>

See accompanying notes to budgetary comparison schedule.

CITY OF PATTERSON, LOUISIANA
Ad Valorem Tax Collection Fund

Budgetary Comparison Schedule
Year Ended June 30, 2018

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues:				
Taxes	\$ 572,730	\$ 603,302	\$ 614,084	\$ 10,782
Interest on deposits	-	8	7	(1)
Miscellaneous	-	1,109	22,231	21,122
Total revenues	<u>572,730</u>	<u>604,419</u>	<u>636,322</u>	<u>31,903</u>
Expenditures:				
Current -				
General government	<u>-</u>	<u>13,647</u>	<u>28,743</u>	<u>(15,096)</u>
Excess of revenues over expenditures	572,730	590,772	607,579	16,807
Other financing sources (uses):				
Operating transfers out	<u>(570,099)</u>	<u>(570,059)</u>	<u>(607,579)</u>	<u>(37,520)</u>
Net change in fund balance	2,631	20,713	-	(20,713)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,631</u>	<u>\$ 20,713</u>	<u>\$ -</u>	<u>\$ (20,713)</u>

See accompanying notes to budgetary comparison schedules.

CITY OF PATTERSON, LOUISIANA

Schedule of Changes in Total OPEB Liability and Related Ratios
Year Ended June 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 44,561
Interest	25,958
Differences between expected and actual experience	<u>24,053</u>
Net change in total OPEB liability	94,572
Total OPEB liability, beginning	<u>697,110</u>
Total OPEB liability, ending	<u>\$ 791,682</u>
Covered employee payroll	<u>\$ 1,151,467</u>
Total OPEB liability as a percentage of covered employee payroll	<u>68.8%</u>

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

CITY OF PATTERSON, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Year Ended June 30, 2018

<u>Year ended June 30,</u>	<u>Employer Proportion of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
Municipal Employees' Retirement System					
2014	1.646384%	\$ 772,971	\$ 1,206,100	64.1%	76.94%
2015	1.518223%	\$ 1,031,856	\$ 1,050,232	98.3%	68.71%
2016	1.495290%	\$ 1,239,459	\$ 1,098,595	112.8%	62.11%
2017	1.440633%	\$ 1,246,483	\$ 1,070,609	116.4%	63.49%
Municipal Police Employees' Retirement System					
2014	0.105901%	\$ 662,535	\$ 297,210	222.9%	75.10%
2015	0.108207%	\$ 847,689	\$ 289,873	292.4%	70.73%
2016	0.100478%	\$ 941,762	\$ 281,321	334.8%	66.04%
2017	0.116587%	\$ 1,017,854	\$ 351,997	289.2%	70.08%

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

CITY OF PATTERSON, LOUISIANA

Schedule of Employer Contributions
Year Ended June 30, 2018

<u>Year ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
Municipal Employees' Retirement System					
2015	\$ 99,772	\$ 99,772	-	\$ 1,050,232	9.50%
2016	\$ 104,161	\$ 104,161	-	\$ 1,098,595	9.48%
2017	\$ 117,767	\$ 117,767	-	\$ 1,070,609	11.00%
2018	\$ 144,150	\$ 144,150	-	\$ 1,087,923	13.25%
Municipal Police Employees' Retirement System					
2015	\$ 91,310	\$ 91,310	-	\$ 289,873	31.50%
2016	\$ 83,307	\$ 83,307	-	\$ 281,321	29.61%
2017	\$ 110,878	\$ 110,878	-	\$ 351,997	31.50%
2018	\$ 86,124	\$ 86,124	-	\$ 280,078	30.75%

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

CITY OF PATTERSON, LOUISIANA

Notes to Required Supplementary Information

(1) Budgetary Basis of Accounting

The budgets for the General Fund, Sewerage and Solid Waste Sales Tax Fund, and the Ad Valorem Tax Collection Fund are adopted on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the City Council.

(2) Budget Adoption

The City follows these procedures in establishing the budgetary data reflected in the supplementary information:

1. The City Clerk prepares a proposed budget and submits it to the Mayor and Council for the fiscal year no later than 45 days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public 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 10 days after publication of the call for the hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfers 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 City Council.
6. All budgetary appropriations lapse at the end of each year, except for capital expenditures.

(3) Actual Expenditures in Excess of Budgeted Appropriations

Actual expenditures and transfers exceeded budgeted appropriations in the General Fund, Sewerage and Solid Waste Sales Tax Fund, and Ad Valorem Tax Collection Fund by \$488,312, \$188,848, and \$52,616, respectively.

(4) Retirement Systems

A. Municipal Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms for the year ended June 30, 2018.

Changes of assumptions – Changes of assumptions for the year ended June 30, 2018 were as follows for the valuation date June 30, 2017:

- a) Investment rate of return used was 7.40% per annum, a decrease from 7.5% in 2016.
- b) Inflation rate used was 2.775% per annum, a decrease from 2.875% in 2016.

CITY OF PATTERSON, LOUISIANA

Notes to Required Supplementary Information (continued)

B. Municipal Police Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms for the year ended June 30, 2018.

Changes of assumptions – Changes of assumptions for the year ended June 30, 2018 were as follows for the valuation date June 30, 2017:

- a) Investment rate of return used was 7.325% per annum, a decrease from 7.5% in 2016.
- b) Inflation rate used was 2.70% per annum, a decrease from 2.875% in 2016.

(5) Post Employment Benefits

- 1. Changes of benefits terms – None
- 2. Changes of Assumptions – None

OTHER SUPPLEMENTARY INFORMATION

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Revenues
Year Ended June 30, 2018

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes -				
Sales	\$ 1,147,000	\$ 1,147,217	\$ 1,196,847	\$ 49,630
Utility franchise	289,000	273,767	256,998	(16,769)
Housing authority payment in lieu of taxes	21,500	23,210	23,210	-
	<u>1,457,500</u>	<u>1,444,194</u>	<u>1,477,055</u>	<u>32,861</u>
Licenses and permits -				
Occupational licenses	160,000	156,608	168,609	12,001
Culvert permits	1,200	700	350	(350)
Building permits	15,000	5,482	6,325	843
	<u>176,200</u>	<u>162,790</u>	<u>175,284</u>	<u>12,494</u>
Intergovernmental -				
State of Louisiana -				
Beer taxes	7,036	6,832	5,334	(1,498)
Video poker	65,000	66,734	71,443	4,709
Prisoner maintenance	85,000	75,000	73,292	(1,708)
St. Mary Parish Government -				
Road royalty allocation	7,270	7,270	4,313	(2,957)
Riverboat gaming allocation	34,000	34,000	34,000	-
Prisoner maintenance	110,000	108,194	94,752	(13,442)
St. Mary Parish School Board -				
In-school suspension	20,000	14,650	14,650	-
	<u>328,306</u>	<u>312,680</u>	<u>297,784</u>	<u>(14,896)</u>
Charges for services:				
Garbage fees	475,000	445,000	474,457	29,457
Mosquito abatement	-	-	61,373	61,373
Mechanic shop fees	96,292	123,921	124,560	639
Summer recreation fees	2,430	2,430	750	(1,680)
	<u>573,722</u>	<u>571,351</u>	<u>661,140</u>	<u>89,789</u>
Fines and forfeits	<u>355,000</u>	<u>161,367</u>	<u>168,539</u>	<u>7,172</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Revenues (continued)
Year Ended June 30, 2018

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Miscellaneous:				
Interest	2,300	1,896	2,256	360
Oil and gas royalties	252	99	49	(50)
Other sources	<u>46,000</u>	<u>68,764</u>	<u>130,423</u>	<u>61,659</u>
	<u>48,552</u>	<u>70,759</u>	<u>132,728</u>	<u>61,969</u>
 Total revenues	 <u>\$ 2,939,280</u>	 <u>\$ 2,723,141</u>	 <u>\$ 2,912,530</u>	 <u>\$ 189,389</u>

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures
Year Ended June 30, 2018

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Favorable (Unfavorable)
General government:				
Administrative -				
Salaries	\$ 230,000	\$ 225,184	\$ 223,226	\$ 1,958
Payroll taxes	15,500	16,668	17,191	(523)
Retirement contributions	24,000	28,741	29,292	(551)
Group insurance	36,000	32,873	26,356	6,517
Magistrate fees	6,000	6,000	6,000	-
Travel and employee expense	11,000	11,577	13,043	(1,466)
Telephone and utilities	11,575	12,655	13,167	(512)
Office supplies	1,500	2,200	2,111	89
Operating supplies	7,000	6,000	6,796	(796)
Repairs and maintenance	6,084	17,430	18,530	(1,100)
Training and seminars	5,500	1,625	2,450	(825)
Professional fees	37,260	159,000	47,676	111,324
Office equipment rentals	2,400	4,000	4,523	(523)
Dues and subscriptions	2,000	2,055	3,707	(1,652)
Donations and grants	8,000	7,999	8,699	(700)
Advertising and publishing	15,000	18,745	17,996	749
General insurance	320,000	265,000	319,000	(54,000)
Miscellaneous	14,500	16,930	22,830	(5,900)
Total administrative	<u>754,319</u>	<u>834,832</u>	<u>782,948</u>	<u>51,884</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures (continued)
Year Ended June 30, 2018

	Budget		Actual	Variance With
	Original	Final		Final Budget Favorable (Unfavorable)
Mechanic shop -				
Salaries	\$ 55,500	\$ 73,656	\$ 75,022	\$ (1,366)
Payroll taxes	4,300	5,190	5,434	(244)
Retirement contribution	5,885	9,414	9,527	(113)
Group insurance	18,000	20,380	16,356	4,024
Operating supplies	4,500	5,714	4,960	754
Repairs and maintenance	2,500	2,553	3,707	(1,154)
Miscellaneous	5,350	9,011	9,555	(544)
Total mechanic shop	<u>96,035</u>	<u>125,918</u>	<u>124,561</u>	<u>1,357</u>
Total general government	<u>850,354</u>	<u>960,750</u>	<u>907,509</u>	<u>53,241</u>
Public safety:				
Police -				
Salaries	957,300	981,207	1,021,632	(40,425)
Payroll taxes	71,000	73,431	80,330	(6,899)
Retirement contributions	96,000	87,860	87,794	66
Group insurance	330,000	352,941	276,733	76,208
Uniform allowances	3,000	2,782	4,474	(1,692)
Prisoner expense	80,000	79,528	84,351	(4,823)
Telephone and utilities	55,500	56,835	59,133	(2,298)
Office supplies	38,700	72,039	3,609	68,430
Operating supplies	21,000	10,920	14,671	(3,751)
Repairs and maintenance	13,500	12,144	93,486	(81,342)
Equipment rentals	5,000	7,181	7,390	(209)
Vehicle expense	68,000	56,209	105,531	(49,322)
Training seminars	5,800	2,649	4,689	(2,040)
Travel and employee expense	7,700	5,825	5,690	135
Miscellaneous	27,180	87,096	102,951	(15,855)
Total police	<u>1,779,680</u>	<u>1,888,647</u>	<u>1,952,464</u>	<u>(63,817)</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures (continued)
Year Ended June 30, 2018

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Fire:				
Salaries	\$ 18,000	\$ 11,320	\$ 11,370	\$ (50)
Payroll taxes	1,440	869	902	(33)
Telephone & utilities	6,300	6,892	7,222	(330)
Operating supplies	18,000	6,280	4,788	1,492
Repairs and maintenance	7,000	4,768	6,392	(1,624)
Vehicle expenses	4,800	9,261	12,014	(2,753)
Miscellaneous	5,521	5,331	5,064	267
Total fire	<u>61,061</u>	<u>44,721</u>	<u>47,752</u>	<u>(3,031)</u>
Total public safety	<u>1,840,741</u>	<u>1,933,368</u>	<u>2,000,216</u>	<u>(66,848)</u>
Streets and drainage:				
Salaries	250,977	260,708	255,528	5,180
Payroll taxes	20,000	18,633	18,916	(283)
Retirement contributions	25,400	31,570	31,827	(257)
Group insurance	80,000	54,786	44,102	10,684
Uniform allowance	-	4,228	4,178	50
Utilities	54,000	51,273	56,308	(5,035)
Chemicals and agents	1,500	1,220	720	500
Operating supplies	8,000	8,783	12,453	(3,670)
Repairs and maintenance	45,300	74,357	444,517	(370,160)
Vehicle expenses	31,000	28,497	84,623	(56,126)
Mosquito abatement	-	-	59,194	(59,194)
Miscellaneous	11,940	15,109	14,329	780
Total streets and drainage	<u>528,617</u>	<u>549,164</u>	<u>1,032,180</u>	<u>(483,016)</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures (continued)
Year Ended June 30, 2018

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Culture and recreation:				
Salaries	\$ 33,000	\$ 35,730	\$ 35,730	\$ -
Payroll taxes	2,700	2,778	2,779	(1)
Telephone and utilities	11,880	7,635	8,989	(1,354)
Operating supplies	2,400	2,492	12,658	(10,166)
Referee and umpire fees	3,250	3,250	-	3,250
Rental fees	2,040	2,401	2,471	(70)
Miscellaneous	22,900	26,121	27,912	(1,791)
Total culture and recreation	<u>78,170</u>	<u>80,407</u>	<u>90,539</u>	<u>(10,132)</u>
Sanitation:				
Salaries	-	560	660	(100)
Payroll taxes	-	41	42	(1)
Retirement contributions	-	74	75	(1)
Vehicle maintenance	-	91	91	-
Garbage services rendered	435,000	451,822	501,607	(49,785)
Miscellaneous	1,000	1,403	1,403	-
Total sanitation	<u>436,000</u>	<u>453,991</u>	<u>503,878</u>	<u>(49,887)</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures (continued)
Year Ended June 30, 2018

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Capital outlay:				
Police equipment and improvements	\$ 10,000	\$ 6,000	\$ -	\$ 6,000
Street department equipment	100,000	251,059	42,059	209,000
Culture and recreation	-	150,000	300,751	(150,751)
Total capital outlay	<u>110,000</u>	<u>407,059</u>	<u>342,810</u>	<u>64,249</u>
 Total expenditures	 <u>\$ 3,843,882</u>	 <u>\$ 4,384,739</u>	 <u>\$ 4,877,132</u>	 <u>\$ (492,393)</u>

CITY OF PATTERSON, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
Year Ended June 30, 2018

	Special Revenue Fund		
	Fire Department Equipment	2002 Paving Assessments	Sales Tax Refunding Bonds
ASSETS			
Cash	\$ -	\$ 152,840	\$ -
Interest-bearing deposits	224,068	-	409,061
Receivables			
Assessments	-	6,628	-
Other	133	-	90
Due from other funds	-	1,256	26,554
Total assets	\$ 224,201	\$ 160,724	\$ 435,705
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ 1,868	\$ 4,426
Unearned revenues	-	6,628	-
Total liabilities	-	8,496	4,426
Fund balances -			
Restricted	224,201	152,228	431,279
Unassigned (deficit)	-	-	-
Total fund balances	224,201	152,228	431,279
Total liabilities and fund balances	\$ 224,201	\$ 160,724	\$ 435,705

Debt Service Funds

1973 Paving Assessments	Various Paving Assessments	2015 Limited Tax Bonds	Public Improvement Sales Tax Bonds	Public Improvement Bonds	1990 Paving Assessments
\$ 4,277	\$ 3,766	\$ -	\$ -	\$ -	\$ 160
-	134,302	-	95,294	28,467	61
-	-	-	-	-	-
-	13	-	-	-	-
-	-	45	-	821,243	15,555
<u>\$ 4,277</u>	<u>\$ 138,081</u>	<u>\$ 45</u>	<u>\$ 95,294</u>	<u>\$ 849,710</u>	<u>\$ 15,776</u>
\$ -	\$ -	\$ -	\$ 197,932	\$ 54,697	\$ 123,590
-	-	-	-	-	-
-	-	-	197,932	54,697	123,590
4,277	138,081	45	-	795,013	-
-	-	-	(102,638)	-	(107,814)
<u>4,277</u>	<u>138,081</u>	<u>45</u>	<u>(102,638)</u>	<u>795,013</u>	<u>(107,814)</u>
<u>\$ 4,277</u>	<u>\$ 138,081</u>	<u>\$ 45</u>	<u>\$ 95,294</u>	<u>\$ 849,710</u>	<u>\$ 15,776</u>

(continued)

CITY OF PATTERSON, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet (continued)
Year Ended June 30, 2018

	Catherine Street Paving Construction	Drainage and Relocation Project	Regional Sewerage Facility Project
ASSETS			
Cash	\$ 25,290	\$ 1,473	\$ -
Interest-bearing deposits	-	118,256	116,321
Receivables			
Assessments	-	-	-
Other	-	-	3
Due from other funds	-	21,443	573
Total assets	\$ 25,290	\$ 141,172	\$ 116,897
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 25,290	\$ 1,701	\$ -
Unearned revenues	-	-	-
Total liabilities	25,290	1,701	-
Fund balances -			
Restricted	-	139,471	116,897
Unassigned (deficit)	-	-	-
Total fund balances	-	139,471	116,897
Total liabilities and fund balances	\$ 25,290	\$ 141,172	\$ 116,897

Capital Projects Fund

Third Street Paving Project	Murphy Street Paving Project	City Hall/ Jail Complex Project	Limited Tax Bonds Construction	2002 Paving Project	Total Governmental Funds
\$ -	\$ -	\$ 100	\$ 84	\$ 1,627	\$ 189,617
2	36,103	387	-	-	1,162,322
-	-	-	-	-	6,628
-	-	-	-	-	239
-	-	768	-	-	887,437
<u>\$ 2</u>	<u>\$ 36,103</u>	<u>\$ 1,255</u>	<u>\$ 84</u>	<u>\$ 1,627</u>	<u>\$ 2,246,243</u>
\$ -	\$ 392	\$ -	\$ 45	\$ 32,185	\$ 442,126
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,628</u>
<u>-</u>	<u>392</u>	<u>-</u>	<u>45</u>	<u>32,185</u>	<u>448,754</u>
2	35,711	1,255	39	-	2,038,499
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,558)</u>	<u>(241,010)</u>
<u>2</u>	<u>35,711</u>	<u>1,255</u>	<u>39</u>	<u>(30,558)</u>	<u>1,797,489</u>
<u>\$ 2</u>	<u>\$ 36,103</u>	<u>\$ 1,255</u>	<u>\$ 84</u>	<u>\$ 1,627</u>	<u>\$ 2,246,243</u>

CITY OF PATTERSON, LOUISIANA
Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2018

	Special Revenue Fund		
	Fire Department Equipment	2002 Paving Assessments	Sales Tax Refunding Bonds
Revenues:			
Intergovernmental	\$ 38,181	\$ -	\$ -
Miscellaneous	<u>5,269</u>	<u>-</u>	<u>856</u>
Total revenues	<u>43,450</u>	<u>-</u>	<u>856</u>
Expenditures:			
Current -			
Public safety:			
Fire	6,017	-	-
Streets and drainage	-	-	-
Capital outlay	200,000	-	-
Debt service -			
Principal retirement	37,600	-	-
Interest and fiscal charges	<u>1,011</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>244,628</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(201,178)	-	856
Other financing sources (uses):			
Transfers in	-	-	-
Proceeds from sale of asset	65,000	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>65,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(136,178)	-	856
Fund balances, beginning	<u>360,379</u>	<u>152,228</u>	<u>430,423</u>
Fund balances, ending	<u>\$ 224,201</u>	<u>\$ 152,228</u>	<u>\$ 431,279</u>

Debt Service Funds

1973 Paving Assessments	Various Paving Assessments	2015 Limited Tax Bonds	Public Improvement Sales Tax Bonds	Public Improvement Bonds	1990 Paving Assessments
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	39	-	97	28	64
-	39	-	97	28	64
-	-	-	-	-	-
-	22,308	-	-	-	104,480
-	-	-	-	-	-
-	-	75,000	65,000	215,000	-
-	-	17,861	11,900	143,150	-
-	22,308	92,861	76,900	358,150	104,480
-	(22,269)	(92,861)	(76,803)	(358,122)	(104,416)
-	-	92,861	70,950	383,158	-
-	-	-	-	-	-
-	-	-	-	-	(12,432)
-	-	92,861	70,950	383,158	(12,432)
-	(22,269)	-	(5,853)	25,036	(116,848)
4,277	160,350	45	(96,785)	769,977	9,034
\$ 4,277	\$ 138,081	\$ 45	\$ (102,638)	\$ 795,013	\$ (107,814)

CITY OF PATTERSON, LOUISIANA
Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (continued)
Year Ended June 30, 2018

	Catherine Street Paving Construction	Drainage and Relocation Project	Regional Sewerage Facility Project
Revenues:			
Taxes	\$ -	\$ -	\$ -
Miscellaneous	-	118	10
Total revenues	-	118	10
Expenditures:			
Current -			
Public safety:			
Fire	-	-	-
Streets and drainage	-	-	-
Capital outlay	-	-	-
Debt service -			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	-	118	10
Other financing sources (uses):			
Transfers in	-	-	-
Proceeds from sale of asset	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	-	118	10
Fund balances, beginning	-	139,353	116,887
Fund balances, ending	\$ -	\$ 139,471	\$ 116,897

Capital Projects Funds

Third Street Paving Project	Murphy Street Paving Project	City Hall/ Jail Complex Project	Limited Tax Bonds Construction	2002 Paving Project	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,181
<u>12</u>	<u>36</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,529</u>
<u>12</u>	<u>36</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,710</u>
-	-	-	-	-	6,017
-	-	-	232,247	-	359,035
-	-	-	-	-	200,000
-	-	-	-	-	392,600
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,922</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>232,247</u>	<u>-</u>	<u>1,131,574</u>
12	36	-	(232,247)	-	(1,086,864)
-	-	-	112,521	-	659,490
-	-	-	-	-	65,000
<u>(23,877)</u>	<u>-</u>	<u>-</u>	<u>(92,861)</u>	<u>-</u>	<u>(129,170)</u>
<u>(23,877)</u>	<u>-</u>	<u>-</u>	<u>19,660</u>	<u>-</u>	<u>595,320</u>
(23,865)	36	-	(212,587)	-	(491,544)
<u>23,867</u>	<u>35,675</u>	<u>1,255</u>	<u>212,626</u>	<u>(30,558)</u>	<u>2,289,033</u>
<u>\$ 2</u>	<u>\$ 35,711</u>	<u>\$ 1,255</u>	<u>\$ 39</u>	<u>\$ (30,558)</u>	<u>\$ 1,797,489</u>

CITY OF PATTERSON, LOUISIANA
Enterprise Fund

Schedule of Number of Utility Customers
June 30, 2018

Records maintained by the City indicated the following customers were being served during the months of June 2018 and 2017:

<u>Department</u>	<u>2018</u>	<u>2017</u>
Gas (metered)	1,417	1,429
Water (metered)	2,559	2,551
Sewerage	2,198	2,188
Sanitation*	2,362	2,359

* Reported in General Fund

CITY OF PATTERSON, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
Years Ended June 30, 2018 and 2017

	Totals		Gas	
	2018	2017	2018	2017
Operating revenues:				
Charges for services -				
Customers	\$ 2,283,261	\$ 2,070,001	\$ 698,477	\$ 507,320
Delinquent charges	69,709	66,843	21,325	16,382
Commissions, transfers, and reconnections	33,200	38,936	10,156	9,543
Miscellaneous	135,300	100,474	46,070	31,187
Total operating revenue	<u>2,521,470</u>	<u>2,276,254</u>	<u>776,028</u>	<u>564,431</u>
Operating expenses:				
Salaries	695,588	692,912	185,058	166,470
Payroll taxes	50,535	50,544	13,905	12,403
Retirement contributions	128,674	112,005	37,748	31,163
Group insurance	146,113	143,942	28,779	32,981
Uncollectible billings	9,893	7,539	3,001	1,818
Gas purchases	304,594	262,922	304,594	262,922
Chemicals and agents	162,676	183,910	2,299	833
Repairs and maintenance	75,340	60,022	11,843	11,495
Vehicle expenses	51,792	42,409	35,467	27,614
Meters, hardware & lines	111,231	59,659	89,698	27,640
Professional fees	29,381	36,290	2,578	8,748
Depreciation	188,823	226,306	53,115	57,812
Insurance	318,895	307,366	-	-
Office expense	29,077	26,379	6,970	6,358
Sewerage treatment	279,700	303,742	-	-
Other	218,497	163,036	26,684	15,378
Allocation of administrative expenses	-	-	238,155	200,780
Total operating expenses	<u>2,800,809</u>	<u>2,678,983</u>	<u>1,039,894</u>	<u>864,415</u>
Operating loss	<u>(279,339)</u>	<u>(402,729)</u>	<u>\$ (263,866)</u>	<u>\$ (299,984)</u>
Nonoperating revenues (expenses):				
Interest income	3,290	1,319		
Loss before operating transfers	(276,049)	(401,410)		
Operating transfers in (out)	12,315	191,158		
Net income (loss)	<u>\$ (263,734)</u>	<u>\$ (210,252)</u>		

Water		Sewerage		Administrative	
2018	2017	2018	2017	2018	2017
\$ 1,120,289	\$ 1,146,665	\$ 464,495	\$ 416,016	\$ -	\$ -
34,203	37,027	14,181	13,434	-	-
16,290	21,568	6,754	7,825	-	-
65,354	52,862	23,876	16,426	-	-
<u>1,236,136</u>	<u>1,258,123</u>	<u>509,307</u>	<u>453,700</u>	<u>-</u>	<u>-</u>
299,947	253,166	-	-	210,583	273,276
21,679	18,136	-	-	14,951	20,005
55,735	45,324	-	-	35,191	35,518
44,336	39,041	-	-	72,998	71,920
4,846	4,182	2,046	1,539	-	-
-	-	-	-	-	-
160,267	182,493	110	584	-	-
22,091	28,479	41,102	18,164	304	1,884
12,241	10,794	3,516	3,040	568	961
28,792	26,786	(8,014)	4,880	755	353
-	-	403	6,992	26,400	20,550
29,411	35,419	99,986	120,839	6,311	12,236
-	-	-	-	318,895	307,366
14,127	10,060	-	-	7,980	9,961
-	-	279,700	303,742	-	-
94,659	76,422	13,583	6,030	83,571	65,206
381,977	453,811	158,376	164,645	(778,507)	(819,236)
<u>1,170,108</u>	<u>1,184,113</u>	<u>590,808</u>	<u>630,455</u>	<u>-</u>	<u>-</u>
<u>\$ 66,028</u>	<u>\$ 74,010</u>	<u>\$ (81,501)</u>	<u>\$ (176,755)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PATTERSON, LOUISIANA

Schedule of Insurance in Force

June 30, 2018

Description of Coverage	Coverage Amounts
Workmen's Compensation - Employer's liability	Statutory \$ 1,000,000
Surety Bonds -	
Ms. Angela Shilling-Boyles	25,000
Ms. Kim Dardeau	5,000
Public employees	5,000
Public right-of-way	1,528
Policemen's Professional Liability	1,000,000
Comprehensive General Liability, Bodily Injury, and Property Damage	1,000,000
Comprehensive Automobile Liability	1,000,000
Fire, Lightning, and Extended Coverage - Buildings and contents, all risks except flood and earthquake	5,047,400
Flood	
Building and contents, limits vary per location	2,400,000
Excess flood coverage, City Hall/Jail Complex	1,474,900
Summer Recreation Program -	
Death and dismemberment	3,000
Medical expense	10,000
Public officials errors and omissions	1,000,000

CITY OF PATTERSON, LOUISIANA

Schedule of Interest-Bearing Deposits-All Funds
June 30, 2018

	<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Amount</u>
General Fund:				
Insured Money Market	N/A	N/A	0.100%	\$ 37,085
Insured Money Market	N/A	N/A	0.100%	264
Insured Money Market	N/A	N/A	0.100%	18,964
Insured Money Market	N/A	N/A	0.100%	115,613
Insured Money Market	N/A	N/A	0.100%	15
Insured Money Market	N/A	N/A	0.100%	240,008
Insured Money Market	N/A	N/A	0.100%	25,323
Savings	N/A	N/A	0.050%	91,841
Savings	N/A	N/A	0.050%	8,106
Certificate of deposit - Patterson State Bank	31 days	7/27/2017	0.050%	45,000
Certificate of deposit - Patterson State Bank	91 days	7/31/2017	0.050%	50,000
Certificate of deposit - Patterson State Bank	91 days	8/23/2017	0.050%	30,000
Certificate of deposit - Patterson State Bank	182 days	8/4/2017	0.050%	796
Certificate of deposit - Patterson State Bank	181 days	11/11/2017	0.240%	236,910
Certificate of deposit - Patterson State Bank	182 days	8/4/2017	0.050%	86,487
Certificate of deposit - Patterson State Bank	1 year	3/19/2018	0.170%	500,000
				<u>1,486,412</u>
Special Revenue Fund:				
Sewerage and Solid Waste Sales Tax Fund -				
Insured Money Market	N/A	N/A	0.100%	913,877
Certificate of deposit - Patterson State Bank	182 days	8/9/2017	0.050%	155,000
Certificate of deposit - Patterson State Bank	1 year	3/19/2018	0.170%	2,000,000
				<u>3,068,877</u>
Ad Valorem Tax Collection Fund -				
Savings	N/A	N/A	0.050%	<u>16,638</u>
Fire Department Equipment Fund -				
Insured Money Market	N/A	N/A	0.100%	125,455
Certificate of Deposit - Patterson State Bank	90 days	8/9/2017	0.050%	25,000
Certificate of Deposit - Patterson State Bank	1 year	9/24/2017	0.250%	73,613
				<u>224,068</u>
Total special revenue funds				<u>3,309,583</u>

CITY OF PATTERSON, LOUISIANA

Schedule of Interest-Bearing Deposits-All Funds (continued)

June 30, 2018

	<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Amount</u>
Debt Service Funds:				
Public Improvement Bonds Fund -				
Insured Money Market	N/A	N/A	0.100%	<u>28,467</u>
Sales Tax Revenue Refunding Bonds Series -				
Insured Money Market	N/A	N/A	0.100%	136,925
Certificate of Deposit - Patterson State Bank	182 days	10/31/2017	0.240%	<u>272,136</u>
				<u>409,061</u>
Sales Tax Sinking Fund -				
Insured Money Market	N/A	N/A	0.100%	7,482
Insured Money Market - Reserve	N/A	N/A	0.100%	<u>87,812</u>
				<u>95,294</u>
1966, 1967, 1969, 1980 AND 1982 Paving Assessment Funds -				
Savings	N/A	N/A	0.050%	106
Certificate of Deposit - Patterson State Bank	182 days	8/3/2017	0.050%	54,917
Certificate of Deposit - Patterson State Bank	182 days	7/31/2017	0.050%	56,679
Certificate of Deposit - Patterson State Bank	182 days	8/1/2017	0.050%	<u>22,600</u>
				<u>134,302</u>
1990 Street Paving Project -				
Insured Money Market	N/A	N/A	0.100%	<u>61</u>
Total debt service funds				<u>667,185</u>
Capital Projects Funds:				
1980 Drainage Project Fund -				
Insured Money Market	N/A	N/A	0.100%	<u>118,256</u>
Regional Sewerage Facility Project Fund -				
Insured Money Market	N/A	N/A	0.000%	15,464
Certificate of Deposit - Patterson State Bank	182 days	8/9/2017	0.050%	20,000
Certificate of Deposit - Patterson State Bank	182 days	8/1/2017	0.050%	<u>80,857</u>
				<u>116,321</u>
Third Street Paving Project Fund -				
Insured Money Market	N/A	N/A	0.100%	<u>2</u>
Murphy Street Paving Project Fund -				
Insured Money Market	N/A	N/A	0.100%	<u>36,103</u>

CITY OF PATTERSON, LOUISIANA

Schedule of Interest-Bearing Deposits-All Funds (continued)
June 30, 2018

	<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Amount</u>
Sales Tax Bond Construction Fund - Insured Money Market	N/A	N/A	0.000%	<u>387</u>
Total capital projects funds				<u>271,069</u>
Utility Funds:				
Insured Money Market	N/A	N/A	0.180%	158,574
Insured Money Market	N/A	N/A	0.100%	31,443
Insured Money Market	N/A	N/A	0.100%	97,971
Savings	N/A	N/A	0.050%	7,438
Savings	N/A	N/A	0.050%	35,980
Certificate of Deposit - Patterson State Bank	182 days	10/28/2017	0.240%	140,275
Certificate of Deposit - Patterson State Bank	182 days	8/5/2017	0.050%	46,656
Certificate of Deposit - Patterson State Bank	1 year	3/19/2018	0.170%	<u>500,000</u>
				<u>1,018,337</u>
Total - all funds				<u>\$ 6,752,586</u>

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
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Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd. 11929 Bricksome Ave.
Lafayette, LA 70508 Baton Rouge, LA 70816
Phone (337) 232-4141 Phone (225) 293-8300

1428 Metro Dr. 450 E. Main St.
Alexandria, LA 71301 New Iberia, LA 70560
Phone (318) 442-4421 Phone (337) 367-9204

200 S. Main St. 1234 David Dr. Ste. 203
Abbeville, LA 70510 Morgan City, LA 70380
Phone (337) 893-7944 Phone (985) 384-2020

434 E. Main St. 332 W. Sixth Ave.
Ville Platte, LA 70586 Oberlin, LA 70655
Phone (337) 363-2792 Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

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

The Honorable Rodney Grogan, Mayor
and Members of the City Council
City of Patterson, 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 Patterson, Louisiana (hereinafter "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 have not been identified. However, we identified a certain deficiency in internal control that we consider to be a material weakness and is described in the accompanying schedule of audit results and findings as item 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit results and findings as item 2018-002.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying management's corrective action plan for current audit findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 City'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 City'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 in accordance with Louisiana Revised Statute 44:6.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 31, 2018

CITY OF PATTERSON, LOUISIANA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

2017-001

CONDITION: Material Adjustments to the Financial Statements

CURRENT STATUS: This finding was not resolved and will be reiterated in 2018.

2017-002

CONDITION: Failure to Time Remit Sales Tax Returns

CURRENT STATUS: This finding was only applicable to year ended June 30, 2017. The City has implemented corrective action in response to the incidents identified and sales tax returns are being submitted timely.

2017-003

CONDITION: Budget Variance in Excess of 5%

CURRENT STATUS: This finding was only applicable to the year ended June 30, 2017. However, there are funds in the current year with unfavorable budget variances in expenditures in excess of the allowed five percent variance. Therefore, this finding will be reiterated in 2018.

CITY OF PATTERSON, LOUISIANA

Schedule of Audit Results and Findings
Year Ended June 30, 2018

Part 1: Summary of Auditor's Results

An unmodified opinion has been issued on the City of Patterson, Louisiana's financial statements as of and for the year ended June 30, 2018.

One deficiency in internal control over financial reporting was disclosed during the audit of the financial statements. This deficiency is considered to be a material weakness.

One material instance of noncompliance was disclosed during the audit of the financial statements.

A management letter was not issued.

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2018-001 - Material Adjustments to the Financial Statements

CONDITION: During the performance of audit procedures, audit adjustments were proposed to correct misstatements that, individually and in the aggregate, were material to the City's financial statements.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

A deficiency in internal control is defined as a condition where 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. It defines a material weakness as a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements may not be prevented, or detected and corrected, on a timely basis.

The identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the City's internal control is an indicator of a material weakness in internal control.

CAUSE: The cause of the condition is failure by management to design and implement effective internal controls such that there is a reasonable possibility that a material misstatement will be prevented or detected and corrected on a timely basis by management or employees, in the normal course of performing their assigned functions.

EFFECT: The effect of the condition is that financial statements may contain a material misstatement that is not detected and corrected.

RECOMMENDATION: The City should develop and implement procedures to ensure that material misstatements in the financial statements are identified and corrected in a timely manner.

CITY OF PATTERSON, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2018

2018-002 – Budget Variance in Excess of 5% in Funds

CONDITION: The City incurred unfavorable variances in expenditures in its General Fund, Sewerage and Solid Waste Sales Tax Fund, and Ad Valorem Tax Collection Fund in excess of amounts allowed by statute.

CRITERIA: RS 39:1311 et seq, Budgetary Authority and Control, provides for the following:

“A. The adopted budget and any duly authorized amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer shall advise the governing authority or independently elected official in writing when:

- (1) Revenue collection plus projected revenue collections for the remainder of the year, within a fund, fail to meet estimated annual revenues by five percent or more.
- (2) Actual expenditures plus projected expenditures for the remainder of the year, within a fund, are exceeding estimated budgeted expenditures by five percent or more.
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and beginning fund balance is being used to fund current expenditures.”

CAUSE: The condition results from the failure to properly monitor revenues and expenditures in individual funds.

EFFECT: The City may not prevent and/or detect compliance violations due to over expenditure of the appropriated budget, and/or errors or irregularities on a timely basis. Also, the mayor may be subject to the penalty provisions of RS 14:134.

RECOMMENDATION: We recommend that the City’s administrative authority prepare and review budget to actual comparisons on a regular basis and amend its budget upon determination of significant variances in accordance with RS 39:1311 et seq.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At June 30, 2018, the City of Patterson, Louisiana did not meet the requirements to have a single audit in accordance with Uniform Guidance, therefore this section is not applicable.

CITY OF PATTERSON, LOUISIANA

Management's Corrective Action Plan for Current Audit Findings
Year Ended June 30, 2018

Response to Finding 2018-001: Material Adjustments to the Financial Statements

With the addition of an accountant to the City's financial staff, accounting activities are being performed on a timely basis and errors including unrecorded transactions have been significantly reduced. The City's financial staff diligently tries to capture all transactions prior to closing its books and utilizes the City's independent auditors for assistance in conversion of its books from the cash basis to the accrual basis.

Response to Finding 2018-002: Budget Variance in Excess of 5% in Funds

In the future, the City will monitor expenditures in its major funds to ensure that the budget amendments adopted will cause the City to be in compliance with the budget laws.

City of Patterson, Louisiana

Statewide Agreed-Upon Procedures

Fiscal period July 1, 2017 through June 30, 2018

KOLDER, SLAVEN & COMPANY, LLC

City of Patterson, Louisiana

CERTIFIED PUBLIC ACCOUNTANTS

Page 2

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
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183 S. Beadle Rd. 11929 Bricksome Ave.
Lafayette, LA 70508 Baton Rouge, LA 70816
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Ville Platte, LA 70586 Oberlin, LA 70655
Phone (337) 363-2792 Phone (337) 639-4737

* A Professional Accounting Corporation

WWW.KCSRPCAS.COM

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES TO THE CONTROL AND COMPLIANCE AREAS IDENTIFIED BY THE LOUISIANA LEGISLATIVE AUDITOR

Honorable Rodney A. Grogan, Mayor
And Members of the City Council
City of Patterson Louisiana
Patterson, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by City of Patterson, Louisiana (hereinafter "City") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018 . The City's management is responsible for those control and compliance areas identified in the SAUPs.

The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated exceptions are as follows:

Written Policies and Procedures

1. Obtain the City'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 City 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 four (4) of the five (5) functions noted above. Though an informal procedure is in place for adding vendors to the vendor list, written policies and procedures do not formally address this process.

- c) **Disbursements**, including processing, reviewing, and approving.

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

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

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 of statements, 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 City'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) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The City does not have any written policies and procedures which address debt service.

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

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

Obtained and reviewed minutes of the City for the fiscal period noting that the board met at least monthly. Obtained management's representation that the listing is complete.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Minutes included references to budget to actual comparisons for all funds for which an annual budget was adopted.

- 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.

Budget-to-actual comparisons did not show that management was deficit spending during the fiscal period.

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

Not Applicable -- Prior year audit report contained a positive ending unrestricted fund balance in the general fund.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete. Ask management to identify the City's main operating account.

Obtained listing of client bank accounts from management and management's representation that the listing is complete. Patterson State Bank account #00610 identified as the City's main operating account by accountant Reginald Weary.

4. Using the listing provided by management, select the City's main operating account, and randomly select 4 additional accounts (or all accounts if five or less exist). Randomly select one month from the fiscal period, and for each of the bank accounts selected, obtain bank statements and reconciliations for the month chosen and report whether:

Obtained bank statements and reconciliations for all months in the fiscal period for the City's main operating account and four (4) additional accounts selected at random. The month of June, during the year 2018 was randomly selected for testing.

- a) Bank reconciliations include evidence (e.g., initialed and dated, electronically logged) that they were prepared within 2 months of the related statement closing date;

Obtained bank statements and reconciliations for all months in the fiscal period for the five (5) bank accounts selected for testing. Reconciliations for the City's main operating account and four (4) additional randomly-selected bank accounts included evidence that they have been prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence (e.g., initialed and dated, electronically logged) that a member of management or a board member (who does not handle cash, post ledgers, or issue checks) has reviewed each bank reconciliation; and

Reconciliations for the City's main operating account and four (4) additional bank accounts contained no evidence of management's review.

- c) 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.

No documentation was included evidencing research of reconciling items that have been outstanding for more than twelve (12) months as of the end of the fiscal period for the City's Main Operating Account nor three (3) accounts selected for testing. One (1) account tested evidenced no reconciling items that have been outstanding for more than twelve (12) months as of the end of the fiscal period.

Collections

- 5) Obtain a listing of deposit sites for the fiscal period where cash/checks/money orders (cash) are prepared and management's representation that the listing is complete.

Obtained listing of deposit sites for the fiscal period and management's representation that the listing is complete. Only one (1) location, City Hall, was determined to be a deposit site.

- 6) Using the listing provided by management, randomly select 5 City deposit sites (if more than five locations exist), or all deposit sites (if five locations or less). For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete.

Obtained listing of deposit sites for the fiscal period for the sole deposit site selected for testing and management's representation that the listing is complete. Only one (1) location, City Hall, was determined to be a deposit site. Within sole deposit site, City Hall, only one (1) location was determined to be a collection location; City Hall.

- 7) Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each location, and observe that job duties are properly segregated at each collection location such that

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Only one (1) location was determined to be a cash collection location. At the one (1) cash collection location tested, none of the employees responsible for cash collection shared cash registers/drawers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Two (2) employees responsible for preparing and/or making bank deposits were also noted as periodically receiving checks to be deposited, however, the process of reconciling the appropriate collection documentation to the deposit is performed by another employee who has no cash collection responsibilities.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No employees responsible for collecting cash were responsible for posting collections to the general ledger or subsidiary ledgers.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

The individual responsible for posting collections to the general ledger has no cash collection responsibilities.

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

Individuals responsible for collecting cash were bonded at all collection locations tested per inquiry of Angela Shilling-Boyles, City Clerk.

- 9) Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #4 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

Note: Two (2) deposit dates randomly selected for testing: April 9th, 2018 and November 28th, 2017

- a) Report whether receipts are sequentially pre-numbered.

Only one (1) of the five (5) bank accounts selected for procedure #4 under "Bank Reconciliations" above contained sequentially prenumbered receipts, although it is not applicable for all receipts because prisoner-holding services are provided by the City to the Parish, and a sequentially pre-numbered system is not applicable to the housing of persons. The utilization of a sequentially prenumbered receipt system was deemed not applicable to Four (4) of the five (5) accounts selected for procedure #4 under "Bank Reconciliations" above.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Utilization of prenumbered receipts was only applicable to a portion of only (1) of the five (5) accounts selected for procedure #4 under "Bank Reconciliations Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip for all existing receipts on selected deposit dates. Collection documentation appears to adequately support deposit slips.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Deposit slip total traced to the actual deposit per bank statement for three (3) of the five (5) accounts chosen for both deposit dates selected. Procedure deemed non-applicable for two (2) of the five (5) accounts selected due to the lack of deposits on the selected deposit dates.

- d) Report whether the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

In two (2) of the five (5) accounts tested, there were zero (0) instances of a deposit not being made within one (1) business day of collection for both deposit dates selected. Procedure was deemed non-applicable for three (3) of the five (5) accounts selected for testing.

- e) Trace the actual deposit per the bank statement to the general ledger.

Actual deposit total per bank statement traced to the general ledger for three (3) of the five (5) accounts chosen for both deposit dates selected. Procedure deemed non-applicable for two (2) of the five (5) accounts selected due to the lack of deposits on the selected deposit dates.

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

- 10) Obtain a listing of City's payment-processing locations for the fiscal period and management's representation that the listing is complete. Randomly select 5 location (or all locations if less than 5).

Obtained listing of payment-processing locations from management and management's representation that the listing is complete. Only one (1) location determined to be a payment-processing location; City Hall.

- 11) For each chosen location from #10 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and report whether job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Examined written policies and procedures relating to employee job duties and ascertained that certain written policies are in place to provide that at least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase.

- b) At least two employees are involved in processing and approving payments to vendors.

Examined written policies and procedures relating to employee job duties and ascertained that certain written policies are in place to provide that at least two employees are involved in the processing and approval of payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Examined written policies and procedures relating to employee job duties and ascertained that no formal written policies are in place addressing the functions noted above. The city does, however, have an informal process to handle the adding of or modifying to vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Examined written policies and procedures relating to employee job duties and ascertained that no formal policies are in place addressing the functions noted above.

- 12) For each location selected under #10 above, obtain the City's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Report whether the disbursement matched the related original invoice/billing statement.

Traced disbursements to the original invoice/billing statement for each of the five (5) disbursements tested.

- b) Report whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #11, as applicable.

Despite the City's failure to meet duties 11.c and 11.d above, duties 11.a and 11.b would not be applicable to four (4) of the (5) disbursements test. One (1) of the five (5) disbursements for which tests 11.a and 11.b were applicable contained no evidence of having met the required segregation of duties tested.

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

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

Obtained listing of active credit cards, bank debit cards, fuel cards and name of the individuals maintaining possession of the cards from management and management's representation that the listing is complete. The City maintains four (4) cards; One (1) Sam's Club Credit Card, one (1) Walmart Community Card, and two (2) Hancock Whitney Business Credit Cards.

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

Selected (all) four (4) cards from the listing of four (4) cards provided by management and obtained statements from management. Randomly selected month for each card is illustrated as such

<i>Card</i>	<i>Month of Statement Selected for Testing</i>
<i>Sam's Club Credit Card</i>	<i>December, 2017</i>
<i>Walmart Community Card</i>	<i>June, 2018</i>
<i>Visa - Hancock Whitney Business Credit Card</i>	<i>March, 2018</i>
<i>Visa - Hancock Whitney Business Credit Card acct # 3217</i>	<i>June, 2018</i>

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

Monthly statements were obtained. Monthly statements for the four (4) cards selected for testing did not evidence written review and approval, in writing, by someone other than the authorized cardholder.

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

Finance charges and/or late fees were not observed on three (3) of the four (4) statements. A finance charge of \$14.46 was assessed for 'Visa - Hancock Whitney Business Credit Card acct # 3217' on the monthly statement for June 2018.

- 15) Using the monthly statements or combined statements selected under #14 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing).

For each transaction, report whether the transaction is supported by:

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

Thirteen (13) transactions were observed between the four (4) monthly statements. Twelve (12) of the thirteen (13) transactions appearing on the selected statements were supported by an original itemized receipt; however, monthly statements precisely identified purchases.

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

Written documentation observed adequately reflected the business/public purpose of the transactions.

- Documentation of the individuals participating in meals (for meal charges only)

Not Applicable – No meal charges were assessed on the noted statements.

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

- 16) Obtain from management a listing of all travel and travel-related expense reimbursements, by person, during the fiscal period. Obtain management’s representation that the listing is complete.

Obtained listing of travel and expense reimbursements during the fiscal period, by person, and management’s representation that the listing is complete.

Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Randomly selected 5 reimbursements and obtained related expense reimbursement forms for each reimbursement.

- a) If reimbursed using a per diem, Obtain the City's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Examined written policies and procedures relating to per diem allowances and ascertained that the amounts in policies adhere to the per diem and mileage rates established by the State of Louisiana's Travel Guide. Reimbursed amounts fell within or below the rates established by U.S. General Service Administration for four (4) of the five (5) reimbursements selected. For one (1) transaction observed, the city reimbursed one of its Gas department employees at a rate of \$0.55/mile, which exceeded both the 2017 GSA and State-administered mileage reimbursement rate of \$0.535/mile.

- b) If reimbursed using actual costs, report whether the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Not Applicable. City is reimbursed using a per diem rate rather than actual cost.

- c) Report whether each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Each reimbursement was observed as being supported by documentation of the business/public purpose and other documentation required by written policy.

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

Two (2) of the five (5) reimbursements were approved, in writing, by someone other than the person receiving the reimbursement. Three (3) of the five (5) reimbursements were not approved, in writing, by someone other than the person receiving the reimbursement, however, all Travel Expense Forms tested were prepared by Human Resource Officer, Holden Murray, or Clerk Angela Shilling-Boyles. In one (1) instance Human Resource Officer Holden Murray was the recipient of the reimbursement. The travel expense form in this case was prepared by City Clerk Angela Shilling-Boyles.

Contracts

- 17) Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain an equivalent selection source (e.g., an active vendor list) and sort/filter for contract payments. Obtain management's representation that the listing or alternative selection source material is complete.

Obtained listing of all contracts in effect during the fiscal period and management's representation that the listing is complete.

- 18) Using the listing above, randomly select the five contracts (or all contracts if less than 5), excluding payments to the practitioner. Obtain the related contracts and paid invoices and:

Listing provided by City included five (5) contracts. All contracts were selected for procedures.

- a) Report whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertisement, selected lowest bidder), if required by law.

One (1) of five (5) contracts selected for testing was subject to, and in accordance with, Louisiana Public Bid Law. Four (4) of five (5) contracts selected for testing were not required to bid in accordance with the Louisiana Public Bid Law.

- b) Report whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

All contracts selected for testing were documented in the minutes as approved by the City.

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

One (1) contract selected for testing was amended twice to adjust the labor, and materials needed to complete project which increased the contract amount by \$179,940.80 (from \$4,541,000 to \$4,572,535.86 then again, from \$4,572,535.86 to \$4,720,940.80). The original contract included provisions allowing for such amendments.

- d) Randomly select one payment from the fiscal period for 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.

Obtained supporting invoices and/or progress payment request for randomly selected payments of each of the five (5) contracts selected for testing and compared to the contract terms. All invoices and related payments tested appear compliant with the terms and conditions of the contract.

Payroll and Personnel

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

Obtained a listing of employees from management and management's representation that the listing is complete.

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

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

Compensation paid to the individuals tested were made in accordance with City's adopted pay rates and/or contract for employment without exception.

- 20) Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #19 above, obtain attendance records and leave documentation for the pay 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.)

All five (5) employees selected documented their daily attendance and leave. There were no elected officials selected for which daily attendance and leave records are required.

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

Daily attendance and leave records evidenced approval of supervisory personnel for all five (5) employees selected.

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

Written leave records for City personnel are maintained in writing and/or electronically for selected employees/officials that earn leave. One (1) employee selected for testing had not yet earned leave in the period tested.

- 21) Obtain from management a list of those employees/officials who received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials from listing and obtain related documentation of the hours and pay rates used in management's termination payment calculations. Report whether the termination payments were made in strict accordance with the authorized pay rates in the employee/officials' personnel files.

Obtained a listing of employees that terminated during the fiscal period from management and management's representation that the listing is complete. Termination payments were made in accordance with policy and approved by management.

- 22) Obtain representation from management that both the employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by the required deadlines.

Per Inquiry of Reginald Weary, there was one instance in the fiscal period in which the City was charged a penalty for filing Louisiana Form L-1 by mail rather than online. Penalty amounted to Seven-hundred and thirty-four dollars and fifty-five cents (\$734.55). All other employer-related payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums were noted as having been paid and filed by the required deadlines by management.

Ethics (generally excluding nonprofits)

- 23) Using the five randomly selected employees/officials from procedure #19 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and:

- a) Report whether the City maintained documentation to demonstrate that, at minimum, one hour of ethics training was completed.

Requested ethics compliance documentation for five (5) selected individuals from procedure # 19 under "Payroll and Personnel". Documentation was maintained demonstrating the completion of one hour of ethics training within the fiscal period.

- b) Report whether the documentation demonstrated each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Signatory verification depicting that all individuals tested have read the entity's ethics policy during the fiscal period was adequately documented and maintained.

Debt Service (generally excluding nonprofits)

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

Obtained a listing of bonds/notes issued during the fiscal period from management and management's representation that the listing is complete. State Bond Commission approval documentation was obtained for each bond issued during the fiscal period.

- 25) Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note from the listing.

Obtained a listing of bonds/notes from management and management's representation that the listing is complete. General Obligation Bond was chosen at random from the bond/note listing.

- a) Using the randomly selected bond/note from procedure #25, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Not Applicable -- General Obligation Bond was randomly selected for testing. General Obligation Bonds do not require a maintenance of a reserve balance.

Other

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

Management asserted that there were no misappropriations of public funds or assets during the fiscal period.

- 27) Observe and report whether the City 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.

Notice required by R.S. 24:523.1 was posted on both the City's premises and website.

Management's Response

The management of the City of Patterson concurs with the exceptions and are working to address the deficiencies identified.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the results of that testing, and not to provide an opinion on control or compliance and is solely for use by the City's management and the LLA. Accordingly, this report is not suitable for any other purpose 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 LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountant

Morgan City, Louisiana
December 31, 2018

CITY OF PATTERSON

PATTERSON, LOUISIANA
70392

1314 Main Street P. O. Box 367
Phone (985) 395-5205
Fax (985) 395-8305

MAYOR
Rodney A. Grogan

CITY CLERK
Angela Shilling-Boyles

COUNCIL
Travis Darnell
Larry Mendoza
John Rentrop
Joe Russo, III
Sandra K. Turner

December 31, 2018

Kolder, Slaven & Company, LLC
1234 David Drive
Morgan City, LA 70380

Dear Sirs:

In response to the exceptions noted during the performance of statewide agreed-upon procedures on the period from July 1, 2017 through June 30, 2018, please accept the following as our responses and corrective action:

AUP-100 – Policies and Procedures

The City will review its written policies to include procedures for addition of vendors to the vendor list.

AUP-200 – Board Minutes

The City will present budget-to-actual comparisons for all major funds, including major special revenue funds.

AUP-300 – Bank Reconciliations

The City will begin having a member of management not involved in the reconciliation process sign off as having reviewed the prepared reconciliation. The City will initiate steps to identify the nature of items on the bank reconciliations that have been outstanding greater than twelve months.

AUP-500 – Disbursements

In the future, the City will ensure that documentation evidence segregation of duties is included with applicable disbursements.

AUP-600 – Credit Cards

In the future, the City will ensure that payments for credit card balances are submitted timely to avoid the assessment of late fees and interest.

AUP-700 – Travel and Expense

The City will ensure that supervisory approval is indicated on all travel reimbursement requests. The City will ensure that the mileage reimbursement rate is in accordance with applicable GSA and IRS guidelines.

AUP-900 – Payroll and Personnel

The City will ensure that payroll reports are submitted prior to the deadline to avoid late fees.

We appreciate to respond to the exceptions noted and assure you that we will work to correct the conditions that caused the exceptions.

Sincerely,

Rodney A. Grogan, Mayor
City of Patterson, Louisiana