# CITY OF FRANKLIN, LOUISIANA

Financial Report

Year Ended April 30, 2021

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INDEPENDENT AUDITOR'S REPORT

The Honorable Eugene Foulcard, Mayor
And the Honorable Members of the City Council
City of Franklin, 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 Franklin, Louisiana, (hereinafter "City") as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements of the City's primary government as listed in the table of contents.

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

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

***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.

***Basis for Adverse Opinion on Aggregate Discretely Presented Component Units***

The financial statements referred to previously do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effects of this departure from accounting principles generally accepted in the United States of America on the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses of the aggregate discretely presented component units are not reasonably determinable.

***Adverse Opinion on Aggregate Discretely Presented Component Units***

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units", the financial statements referred to previously do not present fairly the financial position of the aggregate discretely presented component units of the City, as of April 30, 2021, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of April 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that certain information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements of the City's primary government, 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 of the City's primary government 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 of the City's primary government, and other knowledge we obtained during our audit of the basic financial statements of the City's primary government. We do not express an opinion or provide any assurance on the budgetary comparison schedules on pages 68-70, schedule of employer's share of net pension liability/asset on page 71, schedule of employer contributions on page 72, or notes to required supplementary information on pages 73-75 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 of the City's primary government, 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 of the City's primary government in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements of the City's primary government 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 basic financial statements of the City's primary government. The justice system funding schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City's primary government. The justice system funding schedule is the responsibility of the City's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements of the City's primary government. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements of the City's primary government and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the basic financial statements of the City's primary government or to the basic financial statements of the City's primary government themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the justice system funding schedule on page 77 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 of the City's primary government. The combining nonmajor fund financial statements on pages 78-79 have not been subjected to the auditing procedures applied in the audit of the basic financial statements of the City's primary government and, accordingly, we do not express an opinion or provide any assurance on that information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021, 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
October 28, 2021

# BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF FRANKLIN, LOUISIANA

Statement of Net Position
April 30, 2021

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| **ASSETS** | | | |
| Current assets: | | | |
| Cash | $ 1,124,967 | $ 103,256 | $ 1,228,223 |
| Receivables, net | 649,872 | 575,252 | 1,225,124 |
| Internal balances | 2,379,907 | (2,379,907) | - |
| Due from other governments | 198,065 | 4,484 | 202,549 |
| Prepaid expense | 109,424 | 15,153 | 124,577 |
| Total current assets | 4,462,235 | (1,681,762) | 2,780,473 |
| Noncurrent assets: | | | |
| Restricted assets | - | 392,498 | 392,498 |
| Capital assets: | | | |
| Land and construction in progress | 6,230,831 | 10,000 | 6,240,831 |
| Other, net of accumulated depreciation | 7,123,646 | 4,629,193 | 11,752,839 |
| Total noncurrent assets | 13,354,477 | 5,031,691 | 18,386,168 |
| Total assets | 17,816,712 | 3,349,929 | 21,166,641 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred outflows related to net pension liability | 1,495,140 | 272,290 | 1,767,430 |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts and other payables | 801,427 | 138,418 | 939,845 |
| Accrued liabilities | 190,386 | 40,235 | 230,621 |
| Contracts and notes payable | 63,074 | 13,218 | 76,292 |
| Current portion of long-term obligations | 343,114 | 270,599 | 613,713 |
| Total current liabilities | 1,398,001 | 462,470 | 1,860,471 |
| Noncurrent liabilities: | | | |
| Net pension liability | 4,462,774 | 866,733 | 5,329,507 |
| Customer deposits | - | 246,494 | 246,494 |
| Noncurrent portion of long-term obligations | 2,652,736 | 2,640,596 | 5,293,332 |
| Total noncurrent liabilities | 7,115,510 | 3,753,823 | 10,869,333 |
| Total liabilities | 8,513,511 | 4,216,293 | 12,729,804 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred inflows related to net pension liability | 311,883 | 5,694 | 317,577 |
| **NET POSITION** | | | |
| Net investment in capital assets | 10,358,627 | 1,727,998 | 12,086,625 |
| Restricted | | | |
| Capital projects | 14,045 | - | 14,045 |
| Debt service | 17,521 | 317,498 | 335,019 |
| Other purposes | 55,957 | - | 55,957 |
| Unrestricted (deficit) | 40,308 | (2,645,264) | (2,604,956) |
| Total net position | $ 10,486,458 | $ (599,768) | $ 9,886,690 |

*The accompanying notes are an integral part of this statement.*

CITY OF FRANKLIN, LOUISIANA

Statement of Activities

Year Ended April 30, 2021

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|---|
| Functions/Programs | Expenses | Fees, Commissions, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government: | | | | | | | |
| Administrative | $ 504,232 | $ 422,829 | $ 7,355 | $ - | $ (74,048) | $ - | $ (74,048) |
| Judicial | 696,833 | 134,573 | 7,816 | - | (554,444) | - | (554,444) |
| Public safety: | | | | | | | |
| Fire | 880,184 | 33,905 | 21,594 | - | (824,685) | - | (824,685) |
| Police | 1,320,538 | 44,117 | 21,963 | - | (1,254,458) | - | (1,254,458) |
| Public works | 875,938 | - | 9,339 | 184,506 | (682,093) | - | (682,093) |
| Other funding | 314,248 | - | 281,178 | - | (33,070) | - | (33,070) |
| Recreation | 351,919 | - | 17,438 | - | (334,481) | - | (334,481) |
| Sanitation | 2,314,598 | 841,704 | 15,979 | 308,086 | (1,148,829) | - | (1,148,829) |
| Community development | 121,118 | - | 139,847 | - | 18,729 | - | 18,729 |
| Food services | 38,529 | - | 37,222 | - | (1,307) | - | (1,307) |
| Interest on long term debt | 99,883 | - | - | - | (99,883) | - | (99,883) |
| Total governmental activities | 7,518,020 | 1,477,128 | 559,731 | 492,592 | (4,988,569) | - | (4,988,569) |
| Business-type activities: | | | | | | | |
| Water | 2,161,189 | 1,970,015 | - | - | - | (191,174) | (191,174) |
| Interest on long term debt | 92,670 | - | - | - | - | (92,670) | (92,670) |
| Total business-type activities | 2,253,859 | 1,970,015 | - | - | - | (283,844) | (283,844) |
| Total government | $ 9,771,879 | $ 3,447,143 | $ 559,731 | $ 492,592 | (4,988,569) | (283,844) | (5,272,413) |
| | General Revenues: | | | | | | |
| | Taxes: | | | | | | |
| | Ad valorem taxes | | | | 771,428 | - | 771,428 |
| | Franchise | | | | 337,365 | - | 337,365 |
| | Sales | | | | 2,718,916 | - | 2,718,916 |
| | Intergovernmental | | | | 250,084 | - | 250,084 |
| | Interest and investment earnings | | | | 896 | 604 | 1,500 |
| | Insurance dividends | | | | 116,663 | - | 116,663 |
| | Rentals | | | | 16,195 | - | 16,195 |
| | Cemetery and mausoleum sales | | | | 127,550 | - | 127,550 |
| | Debt forgiveness income | | | | 29,859 | - | 29,859 |
| | Miscellaneous | | | | 217,350 | 14,877 | 232,227 |
| | Gain on disposition of fixed assets | | | | 3,067 | - | 3,067 |
| | Transfers | | | | 703,000 | (703,000) | - |
| | Total general revenues and transfers | | | | 5,292,373 | (687,519) | 4,604,854 |
| | Change in net position | | | | 303,804 | (971,363) | (667,559) |
| | Net position, beginning | | | | 10,182,654 | 371,595 | 10,554,249 |
| | Net position, ending | | | | $ 10,486,458 | $ (599,768) | $ 9,886,690 |

*The accompanying notes are an integral part of this statement.*

## FUND FINANCIAL STATEMENTS

CITY OF FRANKLIN, LOUISIANA

Balance Sheet
Governmental Funds
April 30, 2021

| | General | Liquid and Solid Waste | Capital Outlay |
|---|---|---|---|
| ASSETS | | | |
| Cash and interest-bearing deposits | $ 485,825 | $ 145,924 | $ 452,701 |
| Receivables: | | | |
| Taxes | 346,348 | 186,891 | - |
| Accounts | 116,633 | - | - |
| Due from other funds | - | 498,136 | 57,700 |
| Due from other governments | 104,173 | 63,363 | 30,529 |
| Advances to other funds | - | 2,200,000 | - |
| Prepaid expenditures | 88,251 | 21,173 | - |
| Total assets | $ 1,141,230 | $ 3,115,487 | $ 540,930 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | $ 69,925 | $ 233,801 | $ 497,701 |
| Due to other funds | 364,229 | 11,700 | - |
| Accrued liabilities | 119,438 | 25,654 | 29,184 |
| Notes payable | 52,362 | 10,712 | - |
| Total liabilities | 605,954 | 281,867 | 526,885 |
| Fund balances: | | | |
| Nonspendable | 121,212 | 2,221,173 | - |
| Restricted | - | - | 14,045 |
| Committed | - | 612,447 | - |
| Assigned | 12,259 | - | - |
| Unassigned | 401,805 | - | - |
| Total fund balances | 535,276 | 2,833,620 | 14,045 |
| Total liabilities and fund balances | $ 1,141,230 | $ 3,115,487 | $ 540,930 |

| Other Governmental | Total Governmental Funds |
|---|---|
| $ 40,517 | $ 1,124,967 |
| - | 533,239 |
| - | 116,633 |
| - | 555,836 |
| - | 198,065 |
| - | 2,200,000 |
| - | 109,424 |
| $ 40,517 | $ 4,838,164 |
| | |
| $ - | $ 801,427 |
| - | 375,929 |
| - | 174,276 |
| - | 63,074 |
| - | 1,414,706 |
| | |
| - | 2,342,385 |
| 40,517 | 54,562 |
| - | 612,447 |
| - | 12,259 |
| - | 401,805 |
| 40,517 | 3,423,458 |
| $ 40,517 | $ 4,838,164 |

(continued)

CITY OF FRANKLIN, LOUISIANA

Balance Sheet (continued)
Governmental Funds
April 30, 2021

Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Position

| | | |
|---|---|---|
| Total fund balances for governmental funds at April 30, 2021 | | $ 3,423,458 |
| Cost of capital assets: | | |
| Land | 864,766 | |
| Construction in progress | 5,366,065 | |
| Capital assets, net of accumulated depreciation | 7,123,646 | 13,354,477 |
| Deferred outflows of resources related to net pension liability | | 1,495,140 |
| Long-term liabilities: | | |
| Long-term bond and capital lease obligations | | (2,995,850) |
| Net pension liability | | (4,462,774) |
| Accrued interest payable | | (16,110) |
| Deferred inflows of resources related to net pension liability | | (311,883) |
| Net position at April 30, 2021 | | $ 10,486,458 |

*The accompanying notes are an integral part of this statement.*

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended April 30, 2021

| | General | Liquid and Solid Waste | Capital Outlay |
|---|---|---|---|
| Revenues: | | | |
| Taxes | $ 2,626,268 | $ 1,201,441 | $ - |
| Licenses and permits | 408,296 | - | - |
| Intergovernmental | 866,364 | 308,086 | 184,506 |
| Insurance rebates | 116,663 | | |
| Fees, commissions, and charges for services | - | 841,704 | - |
| Fines and forfeits | 37,276 | - | - |
| Rentals | 16,195 | - | - |
| Interest income | 720 | 8 | 154 |
| Cemetery plot and mausoleum sales | 127,550 | - | - |
| Miscellaneous | 224,672 | 459 | - |
| Total revenues | 4,424,004 | 2,351,698 | 184,660 |
| Expenditures: | | | |
| Current - | | | |
| General government: | | | |
| Administrative | 422,124 | - | 5,120 |
| Judicial | 649,296 | - | - |
| Public safety: | | | |
| Fire | 741,519 | - | - |
| Police | 1,303,359 | - | - |
| Public works: | | | |
| Streets and drainage | 672,173 | - | 1,678 |
| Other funding | 314,248 | - | - |
| Recreation | 251,715 | - | - |
| Sanitation | - | 2,028,537 | - |
| Community development | 75,281 | - | - |
| Food services | - | - | - |
| Miscellaneous | - | - | 353 |
| Debt service - | | | |
| Principal | 120,120 | 51,000 | - |
| Interest and fiscal charges | 53,750 | 12,079 | - |
| Capital outlay | 235,106 | 7,990 | 1,406,771 |
| Total expenditures | 4,838,691 | 2,099,606 | 1,413,922 |
| Excess (deficiency) of revenues over expenditures | (414,687) | 252,092 | (1,229,262) |
| Other financing sources (uses): | | | |
| Proceeds from capital lease | 222,605 | - | - |
| Proceeds from issuance of bonds | - | 55,560 | - |
| Proceeds from sale of assets | 3,067 | - | - |
| Debt forgiveness income | - | 29,859 | - |
| Transfers in | 500,591 | - | 739,084 |
| Transfers out | (257,714) | (409,770) | (3,591) |
| Total other financing sources (uses) | 468,549 | (324,351) | 735,493 |
| Net change in fund balances | 53,862 | (72,259) | (493,769) |
| Fund balances, beginning | 481,414 | 2,905,879 | 507,814 |
| Fund balances, ending | $ 535,276 | $ 2,833,620 | $ 14,045 |

| Other Governmental | Total Governmental Funds |
|---|---|
| $ - | $ 3,827,709 |
| - | 408,296 |
| 37,222 | 1,396,178 |
| | 116,663 |
| 442 | 842,146 |
| - | 37,276 |
| - | 16,195 |
| 14 | 896 |
| - | 127,550 |
| - | 225,131 |
| 37,678 | 6,998,040 |
| | |
| - | 427,244 |
| - | 649,296 |
| | |
| - | 741,519 |
| 2,651 | 1,306,010 |
| | |
| - | 673,851 |
| - | 314,248 |
| - | 251,715 |
| - | 2,028,537 |
| - | 75,281 |
| 38,529 | 38,529 |
| - | 353 |
| | |
| 96,833 | 267,953 |
| 34,950 | 100,779 |
| - | 1,649,867 |
| 172,963 | 8,525,182 |
| (135,285) | (1,527,142) |
| | |
| - | 222,605 |
| - | 55,560 |
| - | 3,067 |
| - | 29,859 |
| 134,400 | 1,374,075 |
| - | (671,075) |
| 134,400 | 1,014,091 |
| (885) | (513,051) |
| 41,402 | 3,936,509 |
| $ 40,517 | $ 3,423,458 |

(continued)

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
Governmental Funds
Year Ended April 30, 2021

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

| | | |
|---|---|---|
| Total net change in fund balances for the year ended April 30, 2021 per Statement of Revenues, Expenditures and Changes in Fund Balances | $ | (513,051) |
| Cost of capital assets acquired or constructed | | 1,651,545 |
| Depreciation expense | | (637,899) |
| Loss on disposition of assets | | (6,316) |
| Principal payments on bonds and capital leases | | 267,953 |
| Change in accrued interest | | 896 |
| Proceeds from issuance of bonds and capital leases | | (278,165) |
| Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability: | | |
| Increase in pension expense | | (269,017) |
| Nonemployer pension contribution revenue | | 87,858 |
| Total change in net position for the year ended April 30, 2021 per Statement of Activities | $ | 303,804 |

*The accompanying notes are an integral part of this statement.*

CITY OF FRANKLIN, LOUISIANA

Statement of Net Position
Proprietary Funds
April 30, 2021

| | Water |
|---|---|
| **ASSETS** | |
| Current assets: | |
| Cash and interest-bearing deposits | $ 103,256 |
| Receivables, net | 575,252 |
| Due from other governments | 4,484 |
| Prepaid expenses | 15,153 |
| Due from other funds | 50,901 |
| Total current assets | 749,046 |
| Noncurrent assets: | |
| Restricted assets- | |
| Cash | 392,498 |
| Capital assets: | |
| Land | 10,000 |
| Other, net of accumulated depreciation | 4,629,193 |
| Total noncurrent assets | 5,031,691 |
| Total assets | 5,780,737 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred outflows of resources related to net pension liability | 272,290 |
| **LIABILITIES** | |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 138,418 |
| Accrued liabilities | 40,235 |
| Notes payable | 13,218 |
| Capital lease obligation | 195,599 |
| Due to other funds | 230,808 |
| Payable from restricted assets- | |
| Revenue bonds | 75,000 |
| Total current liabilities | 693,278 |
| Noncurrent liabilities: | |
| Net pension liability | 866,733 |
| Capital lease obligation | 925,596 |
| Revenue bonds | 1,715,000 |
| Advances from other funds | 2,200,000 |
| Customer deposits | 246,494 |
| Total noncurrent liabilities | 5,953,823 |
| Total liabilities | 6,647,101 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflows of resources related to net pension liability | 5,694 |
| **NET POSITION** | |
| Net investment in capital assets | 1,727,998 |
| Restricted | 317,498 |
| Unrestricted (deficit) | (2,645,264) |
| Total net position | $ (599,768) |

*The accompanying notes are an integral part of this statement.*

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended April 30, 2021

| | Water |
|---|---|
| Operating revenues: | |
| Charges for services- | |
| Water sales | $ 1,619,534 |
| Street lights | 183,984 |
| Mosquito control | 70,892 |
| Other | 95,605 |
| Miscellaneous | 14,877 |
| Total operating revenues | 1,984,892 |
| Operating expenses: | |
| Administrative and finance | 490,188 |
| Water production | 711,704 |
| Water distribution | 268,020 |
| Meter department | 122,715 |
| Street light fees | 153,337 |
| Depreciation | 341,854 |
| Mosquito control | 71,295 |
| Miscellaneous | 2,076 |
| Total operating expense | 2,161,189 |
| Operating loss | (176,297) |
| Nonoperating revenues (expenses): | |
| Interest income | 604 |
| Interest and fiscal charges | (92,670) |
| Total nonoperating revenues (expenses) | (92,066) |
| Loss before contributions and transfers | (268,363) |
| Transfers out | (703,000) |
| Change in net position | (971,363) |
| Net position, beginning | 371,595 |
| Net position, ending | $ (599,768) |

*The accompanying notes are an integral part of this statement.*

CITY OF FRANKLIN, LOUISIANA

Statement of Cash Flows
Proprietary Funds
Year Ended April 30, 2021

| | Water |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | $ 1,925,486 |
| Payments to suppliers for goods and services | (841,217) |
| Payments to employees | (843,164) |
| Net cash provided by operating activities | 241,105 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Payments to other funds | (660,606) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of property, plant and equipment | (62,390) |
| Interest and fiscal charges paid | (92,670) |
| Proceeds from revenue bonds issued | 1,800,000 |
| Principal paid on revenue bonds | (1,073,000) |
| Principal paid on capital lease obligations | (181,904) |
| Net cash provided by capital and related financing activities | 390,036 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on interest-bearing deposits | 604 |
| Net decrease in cash and cash equivalents | (28,861) |
| Cash and cash equivalents, beginning | 524,615 |
| Cash and cash equivalents, ending | $ 495,754 |

(continued)

CITY OF FRANKLIN, LOUISIANA

Statement of Cash Flows (continued)
Proprietary Funds
Year Ended April 30, 2021

| | Water |
|---|---|
| Reconciliation of operating loss. to net cash provided by operating activities: | |
| Operating loss | $ (176,297) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 341,854 |
| Provision for uncollectible receivables | 27,636 |
| Pension expense, net of nonemployer contributions | 66,936 |
| Changes in assets and liabilities: | |
| Accounts receivable | (58,598) |
| Due from other governments | (34) |
| Prepaid expenses | 1,826 |
| Accounts payable and other liabilities | 15,405 |
| Accrued liabilities | 4,096 |
| Notes payable | 5,398 |
| Customer deposits | 12,883 |
| Total adjustments | 417,402 |
| Net cash provided by operating activities | $ 241,105 |
| | |
| Non-cash investing activities: | |
| Assets acquired by capital lease | $ 92,633 |

*The accompanying notes are an integral part of this statement.*

(1) Summary of Significant Accounting Policies

The City of Franklin ("City") was incorporated April 15, 1876, under the provisions of a special charter. The City operated under a Mayor-Council form of government until August 1, 2004, 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 and administration services. The City owns and operates an enterprise fund which provides water services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to 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 Statutes 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

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

GASB Statement No. 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 forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and
   a) The ability of the City to impose its will on that organization and/or
   b) The potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the City.

2. Organizations for which the City does not appoint a voting majority but are fiscally dependent upon the City.

3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Component Units –

Based on the previous criteria, the City has two component units, the City Court of the City of Franklin (City Court) and the Ward Three Marshal of the Parish of St. Mary (Marshal's Office).

The City Court operates a court for the City of Franklin and the territorial jurisdiction throughout Ward Three of St. Mary Parish, Louisiana. The City Court collects all fines, forfeitures, penalties and costs assessed. The city judge is elected for a six-year term. The City Court's fiscal year ends on June 30, which is different from that of the City, the primary government. The City provides the facilities in which the Court operates and has approval authority over certain expenditures of the City Court. Complete financial statements issued by the City Court may be obtained directly from the City Court at 508 2nd Street, Franklin, Louisiana 70538.

The Marshal's Office accounts for the activities of the Marshal in carrying out the duties of the City Court. The expense of carrying out these duties are defrayed by costs collected through the City Court and remitted to the Marshal's Office. The Marshal is elected for a six-year term. The fiscal year of the Marshal's Office ends on June 30, which is different from that of the City, the primary government. The City provides the facilities in which the Marshal's Office operates and has approval authority over certain expenditures of the Marshal's Office. Complete financial statements issued by the Marshal's Office may be obtained directly from the Marshal's Office at PO Box 343, Franklin, Louisiana 70538.

The City has chosen to issue financial statements of the primary government only.

B. Basis of Presentation

Government-wide Financial Statements –

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements –

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major governmental funds of the City are described below:

*General Fund* – primary operating fund of the City. The general fund is always classified as a major fund and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund:

*Liquid and Solid Waste Fund*— accounts for the receipt and use of proceeds of the City's pro-rata portion of the St. Mary Parish ¾% sales and use tax. These taxes are dedicated to the construction, maintenance, and operations of sewerage or solid waste disposal systems, and police and fire protection.

Capital Project Fund:

*Capital Outlay Fund*— accounts for the receipt and use of funds received from grant sources for the purpose of acquiring assets or other capital expenditures.

Proprietary Funds:

*Water Fund*—accounts for the provision of water 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.

C. <u>Measurement Focus/Basis of Accounting</u>

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenues at that time. The City considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related liability is incurred.

Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, charges for services and interest on investments. Licenses, permits, and fines are recognized when they are received because they are not objectively measurable.

D. Cash and Interest-Bearing Deposits

Cash and interest-bearing deposits include amounts in demand deposits, interest-bearing demand deposits, and time deposits. Deposits are stated at cost, which approximates market.

For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts.

E. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

F. Receivables

All receivables are shown net of an allowance account, as applicable.

G. Prepaid Items

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis.

H. Capital Assets

Capital assets, which include property, plant, equipment and vehicles, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for the proprietary fund. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized have an original cost of $2,500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|---|---|
| Buildings | 20 - 40 years |
| Improvements | 20 - 40 years |
| Equipment | 5 - 25 years |

I. Restricted Assets

The "customers' deposits" classification is used to segregate those refundable resources received from customers currently on the system.

J. Deferred Outflows of Resources and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense or expenditure) until then. The City reports deferred outflows of resources related to its net pension liability on its government-wide and proprietary funds statements of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows arising from unavailable revenues. Unavailable revenue occurs under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The City also reports deferred inflows related to its net pension liability on its government-wide and proprietary funds statements of net position.

K. Equity Classifications

Government-wide Financial 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 their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted – All other net position that do 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 government.

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

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. Intent can be expressed by the City Council.

e. Unassigned – all other spendable amounts.

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

L. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses –

Proprietary funds distinguish operating revenues and 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. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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, expenses are classified as operating or nonoperating.

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

Bad Debts –

Uncollectible amounts due for ad valorem taxes are recognized as bed debts at the time information becomes available which would indicate collection of the particular receivable is unlikely. Although the specific charge-off method is not in conformity with generally accepted accounting pinciples (GAAP), the resulting difference between the allowance method and the specific charge-off method would result in an immaterial difference. An allowance for uncollectible utility receivables has been provided at April 30, 2021.

M. Interfund Transfers

Permanent reallocation of resources between funds is classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated. Interfund transfers between governmental funds and business-type funds are not eliminated but are shown in the statement of activities as "transfers."

N. Compensated Absences

Full time employees of the City earn vacation leave based upon their total years of service. Vacation leave must be used within the fiscal year and cannot be carried over to subsequent periods.

O. 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 fixed assets. For the year ended April 30, 2021, no capitalized interest expense was recorded.

P. 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 position of the Municipal Employees Retirement System, the Municipal Police Retirement System, and the Firefighters' Retirement System, and additions to/deductions from the retirement systems' net positions have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms and investments are reported at fair value.

Q. Use of Estimates

The City's management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures or expenses, as appropriate. Actual results may differ from these estimates.

(2) Cash and Interest-Bearing Deposits

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At April 30, 2021, the City has cash and interest-bearing deposits (book balances) totaling $1,620,721 as follows:

| | Governmental Activites | Business-type Activities | Total |
|---|---|---|---|
| Demand deposits | $ 1,124,367 | $ 494,854 | $ 1,619,221 |
| Petty cash | 600 | 900 | 1,500 |
| Total | $ 1,124,967 | $ 495,754 | $ 1,620,721 |

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 April 30, 2021 are as follows:

| | |
|---|---|
| Bank balances | $ 1,617,520 |
| Federal deposit insurance | $ 870,222 |
| Pledged securities | 747,298 |
| Total | $ 1,617,520 |

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 collateral securities that are in the possession of an outside party will not be recovered. The City has not formally adopted policies that limit allowable deposits or investments and address the specific type of risk to which the City is exposed, nor a policy to monitor or attempt to reduce exposure to custodial credit risk. At April 30, 2021, deposits in the amount of $747,298 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the City's name.

(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 billed to taxpayers in November. 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 April 30, 2021, taxes of 20.54 mills were levied on property with assessed valuations totaling $37,079,983 and were dedicated as follows:

| | |
|---|---|
| General governmental services | 14.45 mills |
| Sewerage system maintenance | 6.09 mills |

Total taxes levied for the year ended April 30, 2021 were $761,623.

(4) Receivables

Receivables at April 30, 2021 consist of the following:

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Accounts | 116,633 | $ 911,129 | $ 1,027,762 |
| Taxes | 533,239 | - | 533,239 |
| | 649,872 | 911,129 | 1,561,001 |
| Less: allowance for uncollectible | - | (335,877) | (335,877) |
| Net receivables | $ 649,872 | $ 575,252 | $ 1,225,124 |

(5) Due from other Governments

Amounts due from other governments at April 30, 2021 consisted of the following:

| | |
|---|---|
| Governmental Activities: | |
| State of Louisiana - Transportation grant | $ 19,451 |
| State of Louisiana - Video poker | 58,725 |
| St. Mary Parish Government - Parish share of City Court operating costs | 25,997 |
| St. Mary Parish Government - Parish share of sewer plant operating costs | 63,363 |
| St. Mary Parish Government - Share of Yokely Canal project costs | 14,844 |
| St. Mary Parish Consolidated Drainage District No. 1 - Share of Yokely Canal project costs | 15,685 |
| Total governmental activities | $ 198,065 |

| | |
|---|---|
| Business-Type Activities: | |
| St. Mary Parish Water & Sewer Commission No. 3 - Charges for services | $ 459 |
| St. Mary Parish Water & Sewer Commission No. 4 - Charges for services | 4,025 |
| Total business-type activities | $ 4,484 |

## (6) Changes in Capital Assets

Capital asset activity for the year ended April 30, 2021, was as follows:

| | Balance 05/01/2020 | Additions | Deletions | Balance 04/30/2021 |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 864,766 | $ - | $ - | $ 864,766 |
| Construction in progress | 3,963,932 | 1,408,449 | (6,316) | 5,366,065 |
| Total capital assets not being depreciated | 4,828,698 | 1,408,449 | (6,316) | 6,230,831 |
| Capital assets being depreciated: | | | | |
| Buildings | 2,778,202 | 11,037 | - | 2,789,239 |
| Equipment | 5,027,207 | 232,059 | (103,443) | 5,155,823 |
| Infrastructure | 17,895,173 | - | - | 17,895,173 |
| Total capital assets being depreciated | 25,700,582 | 243,096 | (103,443) | 25,840,235 |
| Less accumulated depreciation for: | | | | |
| Buildings | (2,036,575) | (46,328) | - | (2,082,903) |
| Equipment | (3,581,522) | (221,695) | 103,443 | (3,699,774) |
| Infrastructure | (12,564,036) | (369,876) | - | (12,933,912) |
| Total accumulated depreciation | (18,182,133) | (637,899) | 103,443 | (18,716,589) |
| Total capital assets, being depreciated, net | 7,518,449 | (394,803) | - | 7,123,646 |
| Governmental activities capital assets, net | $ 12,347,147 | $ 1,013,646 | $ (6,316) | $ 13,354,477 |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 10,000 | $ - | $ - | $ 10,000 |
| Capital assets being depreciated: | | | | |
| Water utility system | 10,419,548 | 155,022 | - | 10,574,570 |
| Less accumulated depreciation for: | | | | |
| Water utility system | (5,603,523) | (341,854) | - | (5,945,377) |
| Total capital assets, being depreciated, net | 4,816,025 | (186,832) | - | 4,629,193 |
| Business-type activities capital assets, net | $ 4,826,025 | $ (186,832) | $ - | $ 4,639,193 |

Depreciation expense was charged as direct expense to functions as follows:

| | |
|---|---|
| Governmental activities: | |
| General government and administration | $ 38,352 |
| Judicial | 1,323 |
| Public safety: | |
| Police | 60,914 |
| Fire | 84,783 |
| Public works: | |
| Streets and drainage | 142,339 |
| Community development | 37,728 |
| Culture and recreation | 80,696 |
| Sanitation | 191,764 |
| Total depreciation expense, governmental activities | $ 637,899 |
| Business-type activities: | |
| Water | $ 342,055 |

(7) Long-Term Liabilities

During the year ended April 30, 2021 the following changes occurred in long-term liabilities:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| General obligation bonds | $ 985,443 | $ 55,560 | $ (51,000) | $ 990,003 | $ 54,000 |
| Revenue bonds | 1,120,000 | - | (85,000) | 1,035,000 | 90,000 |
| Capital lease obligations | 880,195 | 222,605 | (131,953) | 970,847 | 199,114 |
| Total governmental activities | $ 2,985,638 | $ 278,165 | $ (267,953) | $ 2,995,850 | $ 343,114 |
| Business- type activities: | | | | | |
| Revenue bonds | $ 1,063,000 | $ 1,800,000 | $ (1,073,000) | $ 1,790,000 | $ 75,000 |
| Capital lease obligations | 1,210,466 | 92,633 | (181,904) | 1,121,195 | 195,599 |
| Total business-type activities | $ 2,273,466 | $ 1,892,633 | $ (1,254,904) | $ 2,911,195 | $ 270,599 |

Bonds payable at April 30, 2021 are comprised of the following individual issues:

| | Governmental Activities |
|---|---|
| $1,880,000 Taxable Limited Tax Bonds, Series 2018, payable in annual installments of $51,000 to $61,000 through April 1, 2038, with interest at 0.95%; secured by ad valorem tax proceeds | $ 1,035,000 |
| $1,650,000 Public Improvement Revenue Bonds, Series 2012, payable in annual installments of $70,000 to $120,000 through June 1, 2030, with interest at 3.70%; secured by excess annual revenues | 990,003 |
| Total | $ 2,025,003 |

| | Business-type Activities |
|---|---|
| $1,800,000 Water and Sewer Revenue Bonds, Series 2020, payable in annual installments of $75,000 to $118,000 through March 1, 2030, with interest at 3.45%; secured by water and sewer revenues from the Utility Fund and the Liquid and Solid Waste Fund | $ 1,790,000 |

The City entered into a loan agreement with the Louisiana Department of Health and Hospitals (Department) relating to the issuance of the $1,880,000 Limited Tax Bonds, Series 2018. The bonds were issued to refund the $2,705,000 Water and Sewer Refunding Bonds, Series 2009. The bonds were sold to the Department and the proceeds of the bond issued to the City by the Department in installments on an "as-needed" basis. As the Department pays the installments on the bond, a portion of the City's obligation to repay the principal on the bonds will be forgiven. As of April 30, 2021, all of the bond proceeds had been drawn by the City and $700,000 of the bond principal had been forgiven.

In February 2021, the City issued $1,800,000 Water Revenue Bonds, Series 2021 bearing interest at 2.38% per annum and payable in annual installments of $10,000 to $115,000 with final maturity on March 1, 2040. A portion of the bond proceeds were used to refund the remaining outstanding 2012 Water Revenue Bonds. The current refunding will reduce debt service payments for the City by $161,810 with an economic gain of $39,446.

The various bond indentures contain significant limitations and restrictions as to the annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is in compliance with all such significant limitations and restrictions.

The annual requirements to amortize all debt outstanding as of April 30, 2021 are as follows:

| Year Ending April 30, | Governmental Activities Principal | Governmental Activities Interest | Governmental Activities Total | Business-Type Activities Principal | Business-Type Activities Interest | Business-Type Activities Total |
|---|---|---|---|---|---|---|
| 2022 | $ 144,000 | $ 39,573 | $ 183,573 | $ 75,000 | $ 42,602 | $ 117,602 |
| 2023 | 144,000 | 36,000 | 180,000 | 75,000 | 40,817 | 115,817 |
| 2024 | 150,000 | 32,595 | 182,595 | 80,000 | 39,032 | 119,032 |
| 2025 | 156,000 | 29,227 | 185,227 | 80,000 | 37,128 | 117,128 |
| 2026 | 156,000 | 25,675 | 181,675 | 85,000 | 35,224 | 120,224 |
| 2027-2031 | 849,000 | 67,194 | 916,194 | 445,000 | 145,418 | 590,418 |
| 2032-2036 | 301,000 | 6,899 | 307,899 | 505,000 | 89,607 | 594,607 |
| 2037-2038 | 125,003 | 846 | 125,849 | 445,000 | 26,894 | 471,894 |
| Total | $ 2,025,003 | $ 238,009 | $ 2,263,012 | $ 1,790,000 | $ 456,722 | $ 2,246,722 |

The City has entered into several capital leases to finance the acquisition of vehicles and equipment. Assets and related accumulated amortization under capital lease are as follows:

| | Governmental Activities | Business-type Activities |
|---|---|---|
| Vehicles - fire trucks | $ 806,092 | $ - |
| Vehicles - police cars | 165,605 | - |
| Equipment - backhoe | 74,562 | - |
| Equipment - lawn mowers | 17,667 | - |
| Equipment - air packs | 223,500 | |
| Equipment - pumps | - | 94,089 |
| Equipment - Generator | - | 71,632 |
| Equipment - tractor | - | 24,443 |
| Water meters | - | 1,635,785 |
| Less: accumulated amortization | (183,817) | (290,198) |
| | $ 1,103,609 | $ 1,535,751 |

Amortization of leased capital assets is included with depreciation expense. The City also rents various equipment at times on a short-term basis.

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of the net minimum lease payments as of April 30, 2021:

| Year ending April 30, | Governmental Activities | Business-type Activities |
|---|---|---|
| 2022 | $ 201,343 | $ 232,097 |
| 2023 | 181,028 | 232,097 |
| 2024 | 146,361 | 232,097 |
| 2025 | 144,398 | 220,643 |
| 2026 | 138,508 | 204,398 |
| 2027-2030 | 308,926 | 114,010 |
| Total minimum lease payments | 1,120,564 | 1,235,342 |
| Less: amount representing interest | (149,717) | (114,147) |
| Present value of net minimum lease payments | $ 970,847 | $ 1,121,195 |

(8) Restricted Net position

At April 30, 2021, the government-wide statement of net position reports the following restricted net position:

| | Governmental Activities | Business-type Activities |
|---|---|---|
| Restricted by enabling legislation: | | |
| Capital grants | $ 14,045 | $ - |
| Police narcotics | 14,351 | - |
| Net position otherwise restricted for: | | |
| Debt service | 17,521 | 317,498 |
| Summer feeding program | 8,645 | - |
| Perpetual care: | | |
| Nonexpendable | 32,961 | - |
| Total restricted net position | $ 87,523 | $ 317,498 |

(9) Net Position/Fund Balance

Net position is presented as net investments in capital assets, restricted and/or unrestricted. The City's net position is affected by transactions that resulted in the recognition of deferred outflow of resources and deferred inflow of resources, and the difference between the deferred outflow of resources and deferred inflow of resources, and balance of the related asset or liability is significant. As discussed in Note 13, the City's recognition of net pension liability in accordance with GASBS No. 68 significantly affect the City's unrestricted component of net position in its governmental activities and business-type activities as of April 30, 2021.

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

| | General | Liquid and Solid Waste | Capital Outlay | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Fund balances: | | | | | |
| Nonspendable - | | | | | |
| Permanent fund principal | $ 32,961 | $ - | $ - | $ - | $ 32,961 |
| Interfund advances | - | 2,200,000 | - | - | 2,200,000 |
| Prepaid items | 88,251 | 21,173 | - | - | 109,424 |
| Total fund balances - nonspendable | 121,212 | 2,221,173 | - | - | 2,342,385 |
| Restricted for - | | | | | |
| Utility plant improvements | - | - | 14,045 | - | 14,045 |
| Debt service | - | - | - | 17,521 | 17,521 |
| Summer feeding program | - | - | - | 8,645 | 8,645 |
| Drug enforcement | - | - | - | 14,351 | 14,351 |
| Total fund balances - restricted | - | - | 14,045 | 40,517 | 54,562 |
| Committed to - | | | | | |
| Sanitation and sewer operations | - | 612,447 | - | - | 612,447 |
| Assigned to - | | | | | |
| Law enforcement | 12,259 | - | - | - | 12,259 |
| Total fund balances - assigned | 12,259 | - | - | - | 12,259 |
| Unassigned | 401,805 | - | - | - | 401,805 |
| Total fund balances | $ 535,276 | $2,833,620 | $ 14,045 | $ 40,517 | $ 3,423,458 |

(10) Contingencies

Threatened/Pending Litigation

There are several lawsuits presently threatened or pending against the City of Franklin as of April 30, 2021. In suits pending, legal counsel and management are of the opinion that any unfavorable outcome in these cases would be within the limits of the City's insurance coverage.

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. However, it is the policy of the City to retain the risk of losses related to general public liability (excluding vehicles and buildings). The City is insured up to policy limits for each of the above risks. There were no significant changes in coverage, retentions, or limits during the year ended April 30, 2021. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

(11) Interfund Transactions

A. Receivables and payables

Interfund receivables and payables at April 30, 2021 consisted of the following:

| | Interfund payables | | | |
|---|---|---|---|---|
| | General | Liquid and Solid | Water Enterprise | Total |
| Interfund receivables | | | | |
| Due from other funds: | | | | |
| Liquid and Solid Waste | $ 267,328 | $ - | $ 230,808 | $ 498,136 |
| Capital outlay | 46,000 | 11,700 | - | 57,700 |
| Water Enterprise | 50,901 | - | - | 50,901 |
| Advances to other funds: | | | | |
| Liquid and Solid Waste | - | - | 2,200,000 | 2,200,000 |
| Total | $ 364,229 | $ 11,700 | $ 2,430,808 | $ 2,806,737 |

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 April 30, 2021 were as follows:

| | Transfers in | | | |
|---|---|---|---|---|
| | General | Capital Outlay | Nonmajor Govermental | Total |
| Transfers out: | | | | |
| General | $ - | $ 135,314 | 122,400 | 257,714 |
| Liquid and Solid Waste | - | 403,770 | 6,000 | 409,770 |
| Capital Outlay | 3,591 | - | - | 3,591 |
| Water Enterprise | 497,000 | 200,000 | 6,000 | 703,000 |
| Total | $ 500,591 | $ 739,084 | $ 134,400 | $ 1,374,075 |

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

(12) Dedication of Proceeds and Flow of Fund-Sales and Use Tax

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

Proceeds of a 1% parish wide sales and use tax levied in 1966 (2021 collections $0). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to each participating municipality on a monthly basis. 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.

Proceeds of a 3/4 of 1% sales and use tax levied in 1974 (2021 collections $975,623). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly as above. 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, fire and police protection; 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, voters approved a provision authorizing that the proceeds could also be used for law enforcement and fire protection costs.

Proceeds of a 3/10 of 1% sales and use tax levied in 1982 (2021 collections $0). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly as above. 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 portionof 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.

Proceeds of a ½ of 1% sales and use tax levied in 2001 (2021 collections $325,125). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly as above. Proceeds are to be used for increased salaries for police departments and also for operating and maintaining the police department.

(13) Employee Retirement

Eligible employees of the City participate in one of four cost-sharing, multiple-employer defined benefit public employee retirement systems (PERS), which are controlled and administered by a separate board of trustees. These retirement systems provide retirement disability and death benefits to plan members and their beneficiaries. Pertinent information relative to each plan follows:

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

Plan Description: The Municipal Employees' Retirement System of Louisiana (MERS), a cost-sharing multiple-employer defined benefit pension plan, was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns, and cities within the state, which did not have their own retirement system and which elected to become members of the System. The City participates in Plan A 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. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in MERS with exceptions as outlined in the statutes.

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

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

Any member of Plan A who was hired before January 1, 2013 can retire providing the member meets one of the following criteria:

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Any age with twenty (20) years of creditable service, exclusive of military service and unused annual and sick leave, with an actuarily reduced early benefit.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. Final 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. An additional regular retirement benefit can be received for any City marshal or deputy City marshal. See plan booklet for further details.

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

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service
4. Any age with twenty-five (25) years of creditable service, exclusive of military service and unused annual and sick leave, with an actuarily reduced early benefit.

Generally, the monthly amount of the retirement allowance for any member of Plan A Tier 2 shall consist of an amount equal to three percent of the member's 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 City marshal or deputy City marshal shall receive an additional regular benefit computed on supplemental marshal's earnings. See Plan Booklet for further details.

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

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

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

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

Disability Benefits: For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of (1) an amount equal to three percent of his final compensation multiplied by his years of credible service, but not less than forty-five percent of his final compensation, or (2) an amount equal to what the member's normal retirement benefit would be based on the member's current final compensation, but assuming the member remained in continuous service until his earliest normal retirement age and using those retirement benefit computation factors which would be applicable to the member's normal retirement.

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

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

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2020, the actual employer contribution rate was 27.75% for Plan A.

Non-Employer Contributions: According to state statute, MERS also receives one-fourth (1/4) of 1% of ad valorem taxes within the respective parishes except for Orleans. MERS also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At April 30, 2021, The City reported liabilities in its government-wide financial statements of $3,089,402 and $866,733 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, 2020 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, 2020, the City's proportional share of MERS was 0.915050%, which was an increase of 0.086222% from its proportion measured as of June 30, 2019.

For the year ended April 30, 2021, the City recognized pension expense of $655,441 and $221,447 in its governmental activities and business-type activities, respectively, related to its participation in MERS.

At April 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | $ 1,429 | $ 18,197 | $ 405 | $ 4,231 |
| Changes in Assumption | 51,860 | - | 14,696 | - |
| Net difference between projected and actual earnings on pension plan investments | 307,612 | - | 87,170 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 260,882 | 6,291 | 73,928 | 1,463 |
| Employer contributions subsequent to the measurement date | 339,089 | - | 96,091 | - |
| | $ 960,872 | $ 24,488 | $ 272,290 | $ 5,694 |

Deferred outflows of resources of $435,180 related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as an adjustment to the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| 2022 | $ 302,287 | $ 85,661 | $ 387,948 |
| 2023 | 180,992 | 51,289 | 232,281 |
| 2024 | 69,896 | 19,807 | 89,703 |
| 2025 | 44,120 | 13,748 | 57,868 |
| | $ 597,295 | $ 170,505 | $ 767,800 |

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.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future.

The actuarial assumptions used in the June 30, 2020 valuation was based on the results of an experience study, for the period July 1, 2013 through June 30, 2018.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2020 are as follows:

| | Municipal Employees' Retirement System (MERS) Plan A |
|---|---|
| Valuation Date | June 30, 2020 |
| Actuarial cost method | Entry Age Normal |
| Expected remaining service lives | 3 years |
| Investment rate of return | 6.95%, net of pension plan investment expense, including inflation |
| Inflation rate | 2.5% |
| Projected salary increases, including inflation and merit increases: | |
| -1 to 4 years of service | 6.4% |
| -More than 4 years of service | 4.5% |
| Annuity and beneficiary mortality | PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females each adjusted using their respective male and female MP2018 scales. |
| Employee mortality | PubG-2010(B) Employee Table set equal to 120% for males and females each adjusted using their respective male and female MP2018 scales. |
| Disabled lives mortality | PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale. |

The investment rate of return was 6.95%, which was a .05 decrease from the rate used as of June 30, 2019. 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2020 are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-Term Expected Portfolio Real Rate of Return |
|---|---|---|
| Public equity | 53% | 2.33% |
| Public fixed income | 38% | 1.67% |
| Alternatives | 9% | 0.40% |
| Totals | 100% | 4.40% |
| | | |
| Inflation | | 2.60% |
| Expected Arithmetic Nominal Return | | 7.00% |

The discount rate used to measure the total pension liability was 6.950%, which was a .050% decrease from the rate used as of June 30, 2019. 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 net pension liability of the participating employers calculated using the discount rate of 6.95%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2020:

| | Changes in Discount Rate: MERS - Plan A | | |
|---|---|---|---|
| | 1% Decrease 5.95% | Current Discount Rate 6.95% | 1% Increase 7.95% |
| Net Pension Liability | $ 5,146,498 | $ 3,956,135 | $ 2,946,633 |

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 April 30, 2021, the City recognized revenue as a result of support received from the non-employer contributing entities of $62,077 for its participation in MERS.

Payables to the Pension Plan: The City recorded accrued liabilities to MERS for the year ended April

30, 2021 primarily due to the accrual for payroll at the end of the fiscal year. The balance due to MERS as of April 30, 2021 is $39,658.

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 and State Police Retirement System of Louisiana (MPERS)

Plan Description: The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. Membership in MPERS 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. MPERS 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 MPERS 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 MPERS 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 MPERS 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 certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or $200 per month, whichever is greater.

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of MPERS 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 MPERS and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of MPERS 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% (generally) 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 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 the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

A COLA may only be granted if funds are available from interest earnings in excess of normal requirements, as determined by the actuary.

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.

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

Employer Contributions: Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2021, the employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 32.50% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 32.50% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than poverty guidelines issued by the United States Department of Health and Human Services were 34.25% and 7.5%, respectively.

Non-Employer Contributions: MPERS also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2020 and excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At April 30, 2021, The City reported liabilities in its government-wide financial statements of \$756,596 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, 2020, 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, 2020 the City's proportional share of MPERS was 0.081862%, which was a decrease of 0.019301% from its proportion measured as of June 30, 2019.

For the year ended April 30, 2021, the City recognized a pension expense of \$50,255 in its governmental activities related to its participation in MPERS.

At April 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Governmental Activities | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | $ - | $ 29,802 |
| Changes in Assumption | 17,978 | 18,672 |
| Net difference between projected and actual earnings on pension plan | 90,769 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 22,918 | 128,950 |
| Employer contributions subsequent to the measurement date | 104,582 | - |
| | $ 236,247 | $177,424 |

Deferred outflows of resources of $104,582 related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as an adjustment to the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year | |
|---|---|
| 2022 | $ (19,449) |
| 2023 | (21,677) |
| 2024 | (21,868) |
| 2025 | 17,235 |
| | $ (45,759) |

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the assumptions used in the June 30, 2020 actuarial funding valuation and were based on the results of an actuarial experience study for the period of July 1, 2014 through June 30, 2019. In cases where benefit structures were changed after the study period, assumptions were based on the estimates of future experience.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2020 are as follows:

| | Municipal Police Employees' Retirement System (MPERS) | |
|---|---|---|
| Valuation Date | June 30, 2020 | |
| Actuarial cost method | Entry Age Normal | |
| Actuarial cost assumptions: | | |
| Expected emaining service lives | 4 years | |
| Investment rate of return | 6.950%, net of investment expense | |
| Inflation rate | 2.50% | |
| Projected salary increases | Yrs of Service | Salary Growth |
| | 1-2 | 12.30% |
| | Above 2 | 4.70% |
| Mortality | For annuitants and beneficiaries, the Pub-2010 Public Retirement Plan Mortality Table for Safety BelowMedian Healthy Retirees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 sale was used. For disabled lives, the Pub-2010 Public Retirement Plans Mortality Table for Safety Disable Retirees multiplied by 105% for males and 115% for females, each with full generational projection using the MP2019 scale was used. For employees, the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used. | |
| 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 investment rate of return was 6.950%, which was a .175% decrease from the rate used as of June 30, 2019.

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, 2014 through June 30, 2019 and review of similar law enforcement mortality. A change was made full generational mortality which combines the use of a base mortality table with appropriate mortality improvement scales. In order to set the base mortality table, actual plan mortality experience was assigned a credibility weighting and combined with a standard table to produce current levels of mortality.

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, 2020 are summarized in the following table:

| Asset Class | | Target Asset Allocation | Long-Term Expected Portfolio Real Rate of Return |
|---|---|---|---|
| Equity | | 48.50% | 3.08% |
| Fixed Income | | 33.50% | 0.54% |
| Alternative | | 18.00% | 1.02% |
| Other | | 0.00% | 0.00% |
| | Totals | 100.00% | 4.64% |
| | Inflation | | 2.55% |
| Expected Nominal Return | | | 7.19% |

The discount rate used to measure the total pension liability was 6.950%, which was a .175% decrease from the rate used as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability of the participating employers calculated using the discount rate of 6.95%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | Changes in Discount Rate: MPERS | | |
|---|---|---|---|
| | 1% Decrease 6.950% | Current Discount Rate 6.950% | 1% Increase 6.950% |
| Net Pension Liability | $1,062,936 | $ 756,596 | $ 500,508 |

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 April 30, 2021, the City recognized revenue as a result of support received from the non-employer contributing entities of $21,963 for its participation in MPERS.

Payables to the Pension Plan: The City recorded accrued liabilities to MPERS for the year ended April 30, 2021 primarily due to the accrual for payroll at the end of the fiscal year. The balance due to MPERS as of April 30, 2021 is $11,547.

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.

C. Firefighters' Retirement System (FFRS)

Plan Description: The Firefighters' Retirement System (FFRS) is a cost-sharing multiple-employer defined benefit pension plan established by Act 434 of 1979 to provide retirement, disability and survivor benefits to firefighters in Louisiana.

Eligibility Requirements: Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980, shall become a member as a condition of employment. Members in FFRS consist of full-time firefighters, eligible employees of the retirement system, or any person in a position as defined in the municipal fire and police civil service system that earns at least $375 per month, excluding state supplemental pay, and is employed by a fire department of any municipality, parish, or fire district of the state of Louisiana, except for Orleans Parish and the City of Baton Rouge.

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

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

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

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions.

Benefits are payable over the retirees' lives in the form of a monthly annuity. A member may elect an unreduced benefit or any of seven options at retirement.

See R.S. 11 :2256(A) for additional details on retirement benefits.

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

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

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

Upon commencement of participation in DROP, employer and employee contributions to FFRS cease. The monthly retirement benefit that would have been payable is paid into the member's DROP account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the DROP account balance. These withdrawals are in addition to his regular monthly benefit.

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to FFRS. No withdrawals may be made from the DROP account until the participant retires.

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

Cost of Living Adjustments (COLAs): Under the provisions of R.S. 11:246 and 11 :2260(A)(7), the board of trustees is authorized to grant retired members and widows of members who have retired an annual cost of living increase of up to 3% of their current benefit, and all retired members and widows who are 65 years of age and older a 2% increase in their original benefit. In order for the board to grant either of these increases, FFRS must meet certain criteria detailed in the statute related to funding status and interest earnings (R.S. 11:243). In lieu of these COLAs, pursuant to R.S. 11:241, the board may also grant an increase based on a formula equal to up to $1 times the total number of years of credited service accrued at retirement or at death of the member or retiree plus the number of years since retirement or since death of the member or retiree to the system's fiscal year end preceding the payment of the benefit increase. If there are not sufficient funds to fund the benefit at the rate of one dollar per year for such total number of years, then the rate shall be reduced in proportion to the amount of funds that are available to fund the cost-of living adjustment.

Contributions: Contribution requirements for employers, non-employer contributing entities, and employees are established and may be amended in accordance with Title 11 and Title 22 of the Louisiana Revised Statutes.

Employer Contributions: According to state statute, employer contributions are actuarially-determined each year. For the year ended June 30, 2020, employer and employee contributions for members above the poverty line were 27.75% and 10%, respectively. The employer and employee contribution rates for those members below the poverty line were 29.75% and 8%, respectively.

Non-Employer Contributions: According to state statute, FFRS receives insurance premium assessments from the state of Louisiana. The assessment is considered support from a non-employer contribution entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2020 and were excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At April 30, 2021, The City reported liabilities in its government-wide financial statements of $534,235 in its governmental activities for its proportionate share of the net pension liabilities of FFRS. The net pension liabilities were measured as of June 30, 2020 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, 2020, the City's proportional share of FFRS was 0.077073%, which was a increase of 0.004470% from its proportion measured as of June 30, 2019.

For the year ended April 30, 2021, the City recognized a pension expense of $122,008 in its governmental activities related to its participation in FFRS.

At April 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Governmental Activities | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | $ - | $ 34,180 |
| Changes in Assumption | 51,644 | - |
| Net difference between projected and actual earnings on pension plan investments | 58,833 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 107,626 | 75,057 |
| Employer contributions subsequent to the measurement date | 59,894 | - |
| | $ 277,997 | $109,237 |

Deferred outflows of resources of $59,894 related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as an adjustment to the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year | |
|---|---|
| 2022 | $ 16,330 |
| 2023 | 37,766 |
| 2024 | 24,594 |
| 2025 | 25,612 |
| 2026 | (396) |
| 2027 | 4,960 |
| | $ 108,866 |

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.

For each year, the actuary determines the reasonable range of the actuarial valuation interest rate, an expected long-term portfolio rate of return and standard deviation based upon the System's target asset allocation and a thirty-year time horizon. These rates were based on an analysis of the System's portfolio along with expected long-term rates of return, standard deviations of return, and correlations between asset classes collected from a number of investment consulting firms in addition to the System's investment consultant, NEPC, L.L.C. Using these values and assuming that future portfolio returns are normally distributed, ten thousand trials of returns over the upcoming thirty years was performed. The results of these trials were organized into percentiles and a reasonable range equal to the 40th through 60th percentiles was set. For the fiscal year ended June 30, 2020, the reasonable range was set at 5.99% through 7.06% and the Board of Trustees elected to set the System's assumed rate of return at 7% for Fiscal 2020. For the fiscal year ended June 30, 2019, the reasonable range was set at 6.20% through 7.15% and the Board of Trustees elected to set the System's assumed rate of return at 7.15% for Fiscal 2019. The actuarial valuation interest rates selected by the board, which were within the reasonable range, were 7.00% and 7.15% for fiscal years 2020 and 2019, respectively.

The remaining actuarial assumptions utilized for this report for fiscal year 2020 are based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019, unless otherwise specified in this report. The assumptions in the report for fiscal year 2019 were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. Additional details are given in the actuary's complete Experience Reports for each period.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2020 are as follows:

| | Firefighters' Retirement System |
|---|---|
| Valuation Date | June 30, 2020 |
| Actuarial cost method | Entry Age Normal |
| Actuarial cost assumptions: | |
| Expected remaining service lives | 7 years |
| Investment rate of return | 7.00% per annum (net of investment expenses, including inflation) |
| Inflation rate | 2.500% per annum |
| Projected salary increases | 14.10% in the first two years of service and 5.20% with 3 or more years of service; includes inflation and merit increases |
| Cost of Living Adjustments (COLAs) | For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included. |

The investment rate of return was 7%, which was a .15% decrease from the rate used as of June 30, 2019.

The mortality rate assumptions were updated in fiscal year 2020 to reflect changes from the recent experience study and rates set in the Pub-2010 Public Retirement Plans mortality tables, as compared to the RP-2000 Combined Healthy and Disabled Lives tables that were used for the previous valuation. For the June 30, 2020 valuation, assumptions for mortality rates were based on the following:

- For active members, mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees.
- For annuitants and beneficiaries, mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Healthy Retirees.
- For disabled retirees, mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Safety Disabled Retirees.
- In all cases the base table was multiplied by 105% for males and 115% for females, each with full generational projection using the appropriate MP2019 scale.

The estimated long-term expected rate of return on pension plan investments was determined by the System's actuary using the System's target asset allocation and the G.S. Curran & Company Consultant Average study for 2020. The consultants' average study included projected nominal rates of return, standard deviations of returns, and correlations of returns for a list of common asset classes collected from a number of investment consultants and investment management firms. Each consultant's response included nominal expected long term rates of return. In order to arrive at long term expected arithmetic real rates of return, the actuary normalized the data received from the consultant's responses in the following ways. Where nominal returns received were arithmetic, the actuary simply reduced the return assumption by the long term inflation assumption. Where nominal returns were geometric, the actuary converted the return to arithmetic by adjusting for the long term standard deviation and then reduced the assumption by the long term inflation assumption. Using the target asset allocation for the System and the average values for expected real rates of return, standard deviation of returns, and correlation of returns, an arithmetic expected nominal rate of return and standard deviation for the portfolio was determined. The System's long-term assumed rate of inflation of 2.5% was used in this process for the fiscal year ended June 30, 2020.

The long-term expected real rate of return is an important input into the actuary's determination of the reasonable range for the discount rate which is used in determining the total pension liability. Prior year's financial reports presented the long-term expected real rate of return provided by the System's investment consultant, whereas this year's report presents this information for both fiscal years 2020 and 2019 from the System's actuary. The actuary's method incorporates information from multiple consultants and investments firms regarding future expected rates of return, variances, and correlation coefficients for each asset class. The actuary's method integrates data from multiple sources to produce average values thereby reducing reliance on a single data source.

Best estimates of real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2020, and June 30, 2019, are summarized in the following tables:

As of June 30, 2020:

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rates of Return |
|---|---|---|
| Equity: | | |
| U.S. Equity | 26% | 5.72% |
| Non-U.S. Equity | 12% | 6.24% |
| Global Equity | 10% | 6.23% |
| Emerging Market Equity | 6% | 8.61% |
| Fixed Income | | |
| U.S. Core Fixed Income | 26% | 1.00% |
| Emerging Market Debt | 5% | 3.40% |
| Multi-Asset Strategies: | | |
| Global Tactical Asset Allocation | 0% | 4.22% |
| Risk Parity | 0% | 4.22% |
| Alternatives: | | |
| Real Estate | 6% | 4.20% |
| Private Equity | 9% | 10.29% |
| | 100% | |

As of June 30, 2019:

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rates of Return |
|---|---|---|
| Equity: | | |
| U.S. Equity | 21.5% | 5.74% |
| Non-U.S. Equity | 12.0% | 6.57% |
| Global Equity | 10.0% | 6.30% |
| Emerging Market Equity | 5.5% | 8.31% |
| Fixed Income | | |
| U.S. Core Fixed Income | 26.0% | 1.70% |
| Emerging Market Debt | 5.0% | 3.49% |
| Multi-Asset Strategies: | | |
| Global Tactical Asset Allocation | 5.0% | 2.73% |
| Risk Parity | 5.0% | 2.73% |
| Alternatives: | | |
| Real Estate | 6.0% | 4.19% |
| Private Equity | 4.0% | 8.84% |
| | 100.0% | |

The discount rate used to measure the total pension liability was 7%, which was a .15% decrease from the rate used as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates, and that contributions from participating employers and non-employer contributing entities will be made at the actuarially-determined rates approved by the Board of Trustees and by the Public Retirement Systems' Actuarial Committee taking into consideration the recommendation of the System's actuary. Based on these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate: The following presents the net pension liability of the participating employers calculated using the discount rate of 7%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of June 30, 2021.

| | Changes in Discount Rate: Firefighters' Retirement System | | |
|---|---|---|---|
| | 1% Decrease 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
| Net Pension Liability | $ 771,698 | $ 534,235 | $ 336,024 |

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 April 30, 2021, the City recognized revenue as a result of support received from the non-employer contributing entities of $21,594 for its participation in FFRS.

Payables to the Pension Plan: The City recorded accrued liabilities to FFRS for the year ended April 30, 2021 primarily due to the accrual for payroll at the end of the fiscal year. The balance due to FFRS as of April 30, 2021 is $6,334.

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

D. Louisiana State Employees' Retirement System (LASERS)

The Court's judge participates in the Louisiana State Employees' Retirement System (LASERS). LASERS is a cost-sharing multiple-employer defined benefit pension plan established by Section 401 of Title 11 of the Louisiana Revised Statutes (LA R.S. 11:401) to provide retirement allowances and other benefits to eligible officers, employees, and their beneficiaries. The employer pensions schedules for the Louisiana State Employees' Retirement System are prepared using the accrual basis of accounting.

Benefits Provided: The following is a 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.

Retirement: The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. Our rank and file members hired prior to July 1, 2006, may either retire with full benefits at any age upon completing 30 years of creditable service, at age 55 upon completing 25 years of credible service, and at age 60 upon completing 10 years of creditable service depending on their plan. Those members hired between July 1, 2006 and June 30, 2015, may retire at age 60 upon completing five years of creditable service and those hired on or after July 1, 2015 may retire at age 62 upon completing five years of creditable service. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

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

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

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service and, may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

Members of the Harbor Police Retirement System who were members prior to July 1, 2014, may retire after 25 years of creditable service at any age, 12 years of creditable service at age 55, 20 years of creditable service at age 45, and 10 years of creditable service at age 60. Average compensation for the plan is the member's average annual earned compensation for the highest 36 consecutive months of employment, with a 3.33% accrual rate.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification.

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

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

For members who are in the Harbor Police Plan, the annual DROP Interest Rate is the three-year average (calculated as the compound average of 36 months) investment return of the plan assets for the period ending the June 30th immediately preceding that given date. The average rate so determined is to be reduced by a "contingency" adjustment of 0.5%, but not to below zero. DROP interest is forfeited if member does not cease employment after DROP participation.

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

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

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation or 100% of the final average compensation if the injury was the result of an intentional act of violence.

Members of the Harbor Police Retirement System who become disabled may receive a non-line of duty disability benefit after five years or more of credited service. Members age 55 or older may receive a disability benefit equivalent to the regular retirement benefit. Under age 55, the disability benefit is equal to 40% of final average compensation. Line of duty disability benefits are equal to 60%of final average compensation, regardless of years of credited service or 100% of final average compensation if the injury was an intentional act of violence. If the disability benefit retiree is permanently confined to a wheelchair, or, is an amputee incapable of serving as a law enforcement officer, or the benefit is permanently legally binding, there is no reduction to the benefit if the retiree becomes gainfully employed.

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

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

A Hazardous Duty Services Plan member's surviving spouse and minor or handicapped or mentally incapacitated child or children are entitled to survivor benefits of 80% of the member's final average compensation if the member was killed in the line of duty. If the member dies in the line of duty as a result of an intentional act of violence, survivor benefits may be increased to 100% of the members final average compensation.

Non-line of duty survivor benefits of the Harbor Police Retirement System may be received after a minimum of five years of credited service. Survivor benefits paid to a surviving spouse without children are equal to 40% of final average compensation and cease upon remarriage. Surviving spouse with children under 18 benefits are equal to 60% of final average compensation, and cease upon remarriage, and children turning 18. No minimum service credit is required for line of duty survivor benefits which are equal to 60% of final average compensation to surviving spouse, or 100% of final average compensation if the injury was the result of an intentional act of violence regardless of children. Line of duty survivor benefits cease upon remarriage, and then benefit is paid to children under 18.

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

Contributions: The employer contribution rate is established annually under La. R.S. 11:401-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the System's Actuary. Each plan pays a separate actuarily-determined employer contribution rate. However, all assets of LASERS are used for the payment of benefits for all classes of members, regardless of their plan membership. The rates for the year ended June 30, 2020 for the various plans are as follows:

| Plan | Plan Status | Contributions Employer |
|---|---|---|
| Appellate Law Clerks | Closed | 40.7% |
| Appellate Law Clerks hired on or after 7/01/06 | Open | 40.7% |
| Alcohol Tobacco Control | Closed | 33.9% |
| Bridge Police | Closed | 39.8% |
| Bridge Police hired on or after 7/01/06 | Closed | 39.8% |
| Corrections Primary | Closed | 36.9% |
| Corrections Secondary | Closed | 40.7% |
| Harbor Police | Closed | 7.7% |
| Hazardous Duty | Open | 41.7% |
| Judges hired before 1/1/2011 | Closed | 42.4% |
| Judges hired after 12/31/2010 | Closed | 42.0% |
| Judges hired on or after 7/1/15 | Open | 42.0% |
| Legislators | Closed | 40.4% |
| Optional Retirement Plan (ORP) before 7/01/06 | Closed | 40.7% |
| Optional Retirement Plan (ORP) on or after 7/01/06 | Closed | 40.7% |
| Peace Officers | Closed | 39.4% |
| Regular Employees hired before 7/01/06 | Closed | 40.7% |
| Regular Employees hired on or after 7/01/06 | Closed | 40.7% |
| Regular Employees hired on or after 1/1/11 | Closed | 40.7% |
| Regular Employees hired on or after 7/1/15 | Open | 40.7% |
| Special Legislative Employees | Closed | 42.4% |
| Wildlife Agents | Closed | 49.7% |
| Aggregate Rate | | 40.8% |

The agency's contractually required composite contribution rate for the plan year ended June 30, 2020 was 42% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance any Unfunded Actuarial Accrued Liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At April 30, 2021, the City reported a liability of $82,541 for its proportionate share of the LASERS net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension obligation was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the City's proportion was 0.001000%, which remained unchanged from its proportion measured as of June 30, 2019.

For the year ended April 30, 2021, the City recognized pension expense of $9,133 in its governmental activities related to its participation in LASERS.

At April 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to LASERS from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual expenses | $ - | $ 734 |
| Change of assumptions | 264 | - |
| Net differences between projected and actual earnings on pension plan investments | 12,066 | - |
| Change in proportion and differences between employer contributions and proportionate share of contributions | - | - |
| Employer contributions subsequent to the measurement date | 7,694 | - |
| Total | $ 20,024 | $ 734 |

Deferred outflows of resources of $7,694 related to pension resulting from the City's contributions subsequent to the measurement date will be recognized as an adjustment to the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year | |
|---|---|
| 2022 | $ 1,596 |
| 2023 | 3,480 |
| 2024 | 3,729 |
| 2025 | 2,791 |
| | $ 11,596 |

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.

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, 2020 are as follows:

| | LASERS Retirement System |
|---|---|
| Valuation Date | June 30, 2020 |
| Actuarial Cost Method | Entry Age Normal |
| Expected Remaining Service Lives | 2 years |
| Investment Rate of Return | 7.55% per annum, net of investment expense |
| Inflation Rate | 2.3% per annum |
| Mortality Rates | Non-disabled members - Mortality rates were based on the RP-2014 Blue Collar (males/females) and White Collar (females) Healthy Annuitant Tables projected on a fully generational basis by Mortality Improvement Scale MP-2018.<br>Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement. |
| Termination, Disability, and Retirement | Termination, disability, and retirement assumptions were projected based on a five year (2014-2018) experience study of the System's members for 2019. |
| Salary Increases | Salary increases were projected based on a 2014-2018 experience study of the System's members. The salary increase ranges for specific types of members are: |

| Member Type | Lower Range | Upper Range |
|---|---|---|
| Regular | 3.0% | 12.8% |
| Judges | 2.6% | 5.1% |
| Corrections | 3.6% | 13.8% |
| Hazardous Duty | 3.6% | 13.8% |
| Wildlife | 3.6% | 13.8% |

| | |
|---|---|
| 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 projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic. |

The investment rate of return used in the actuarial valuation for funding purposes was 7.9%, recognizing an additional 35 basis points for gain-sharing. The net return available to fund regular pension plan benefits is 7.55%, which is the same as the discount rate and a .05% decrease from the rate used as of June 30, 2019. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.3% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.25% for 2020. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|---|---|
| Cash | -0.59% |
| Domestic equity | 4.79% |
| International equity | 5.83% |
| Domestic fixed income | 1.76% |
| International fixed income | 3.98% |
| Alternative investments | 6.69% |
| Risk Parity | 4.20% |
| Total Fund | 5.81% |

The discount rate used to measure the total pension liability was 7.55%, which was a .05% decrease from the discount rate used as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Employer's proportionate share of the Net Pension Liability calculated using the discount rate of 7.55%, 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: LASERS Retirement System | | |
|---|---|---|---|
| | 1.00% Decrease 6.55% | Current Discount Rate 7.55% | 1.00% Increase 8.55% |
| Net Pension Liability | $ 101,430 | $ 82,541 | $ 66,512 |

Payables to the Pension Plan: The City recorded accrued liabilities to LASERS for the year ended April 30, 2021 primarily due to the accrual for payroll at the end of the fiscal year. The balance due to PERS as of April 30, 2021 is $699.

Pension Plan Fiduciary Net Positions: Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS 2019 Comprehensive Annual Financial Report at www.lasersonline.org.

E. Aggregate Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Pension Expense

As detailed above, the City participates in four separate defined benefit pension plans. The aggregate amounts for the City's participation in Municipal Employees' Retirement System of Louisiana (MERS), Municipal, State Police Retirement System of Louisiana (MPERS), Firefighters' Retirement System (FFRS), and Louisiana State Employees' Retirement System (LASERS) are as follows:

Employer's Proportionate Share of Net Pension Liability:

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| MERS | $ 3,089,402 | $ 866,733 | $ 3,956,135 |
| MPERS | 756,596 | - | 756,596 |
| FFRS | 534,235 | - | 534,235 |
| LASERS | 82,541 | - | 82,541 |
| Total | $ 4,462,774 | $ 866,733 | $ 5,329,507 |

Deferred Outflows of Resources:

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| MERS | $ 960,872 | $ 272,290 | $ 1,233,162 |
| MPERS | 236,247 | - | 236,247 |
| FFRS | 277,997 | - | 277,997 |
| LASERS | 20,024 | - | 20,024 |
| Total | $ 1,495,140 | $ 272,290 | $ 1,767,430 |

Deferred Inflows of Resources:

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| MERS | $ 24,488 | $ 5,694 | $ 30,182 |
| MPERS | 177,424 | - | 177,424 |
| FFRS | 109,237 | - | 109,237 |
| LASERS | 734 | - | 734 |
| Total | $ 311,883 | $ 5,694 | $ 317,577 |

Pension Expense:

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| MERS | $ 655,441 | $ 221,447 | $ 876,888 |
| MPERS | 50,255 | - | 50,255 |
| FFRS | 122,008 | - | 122,008 |
| LASERS | 9,133 | - | 9,133 |
| Total | $ 836,837 | $ 221,447 | $ 1,058,284 |

(14) Compensation of City Officials

A detail of compensation paid to the City Council for the year ended April 30, 2021 follows:

| | Salary | Expense Allowance | Total |
|---|---|---|---|
| Chuck Autin | $ 7,800 | $ 1,800 | $ 9,600 |
| Joseph Garrison | 7,800 | 1,800 | 9,600 |
| Larry Guilbeau | 7,800 | 1,800 | 9,600 |
| Lester Levine | 8,400 | 1,800 | 10,200 |
| Jamie Robison | 7,800 | 1,800 | 9,600 |
| | $ 39,600 | $ 9,000 | $ 48,600 |

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to a political subdivision head. For the year ended April 30, 2021, payments made to Mayor Eugene Foulcard requiring disclosure are as follows:

| | |
|---|---|
| Salary | $ 60,000 |
| Car allowance | 5,400 |
| Benefits-retirement | 17,539 |
| Benefits-health insurance | 3,996 |
| Expense allowance-unvouchered | 3,000 |
| Cell phone allowance | 420 |
| | $ 90,355 |

(15) Tax Abatements

The City is subject to certain property tax abatements granted by the Louisiana Board of Commerce and Industry ("LBCI"), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the City may be subject include those issued for property taxes under the Industrial Tax Exemption Program ("ITEP") and the Restoration Tax Abatement Program ("RTAP"). In addition, local governments have the authority to grant sales tax rebates to taxpayers pursuant to the Enterprise Zone Tax Rebate Program. For the year ended April 30, 2021, the city incurred abatements of ad valorem taxes through ITEP.

ITEP is authorized by Article 7, Section 21(F) of the Louisiana Constitution. Companies qualifying as manufacturers can apply to the LBCI for a property tax exemption on all new property, as defined, used in the manufacturing process. Under ITEP, companies are required to promise to expand or build manufacturing facilities in Louisiana, with a minimum investment of $5 million. The exemptions are granted for a 5-year term and are renewable for an additional 5-year term upon approval by LBCI. These state-granted abatements have resulted in reductions of property taxes, which the City administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. The local government may recapture abated taxes if a company fails to expand facilities or otherwise fails to fulfill its commitments under the agreement. For the year ended April 30, 2021, $46,734 in City ad valorem tax revenues were abated by the State of Louisiana through ITEP.

(16) New Accounting Pronouncements Scheduled to be Implemented

The following is a summary of accounting standards adopted by the Governmental Accounting Standards Board (GASB) that are scheduled to be implemented in the future that may affect the City's financial report:

GASB Statement No. 87, *Leases*. This standard will require all leases to be reported on the statement of net position under a single accounting model for both lessors and lessees. The statements will require the recognition of lease assets or liabilities for leases previously reported as operating leases. Both operating and capital leases will be reported under this single accounting method and reported by lessees as an intangible right to use an asset and by lessors as a receivable with both reporting a deferred inflow of resources. The standard is effective for annual reporting periods beginning after December 15, 2019. GASBS No. 95 postponed this statement by 18 months. The city will include the requirements of this standard, as applicable, in its April 30, 2022 financial statements. All of the City's lease agreements will need to be evaluated to determine the impact of implementing this standard; however, the effect of this standard or its applicability to the City are unknown at this time.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Interest cost incurred before the end of a construction period for financial statements prepared using the current resources measurement focus should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The standard is effective for annual reporting periods beginning after December 15, 2019. GASBS No. 95 postponed this statement by one year. The effects of implementation or its applicability on the City's financial statements has not yet been determined.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangement*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines as SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding an SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The provisions of GASB Statement No. 96 are effective for fiscal years beginning after June 15, 2022. The effect of implementation or its applicability on the City's financial statements has not yet been determined.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule
General Fund
Year Ended April 30, 2021

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Taxes: | | | | |
| Ad valorem | $ 531,850 | $ 551,850 | $ 545,610 | $ (6,240) |
| Sales | 2,040,000 | 1,823,000 | 1,743,293 | (79,707) |
| Franchise | 400,000 | 365,000 | 337,365 | (27,635) |
| | 2,971,850 | 2,739,850 | 2,626,268 | (113,582) |
| Licenses and permits | 335,000 | 322,000 | 408,296 | 86,296 |
| Intergovernmental: | | | | |
| Video poker and gaming | 198,000 | 128,000 | 231,148 | 103,148 |
| Federal Government | 150,000 | 250,000 | 281,178 | 31,178 |
| State of Louisiana | 120,000 | 496,680 | 157,408 | (339,272) |
| St. Mary Parish Council | 322,000 | 316,000 | 193,300 | (122,700) |
| Franklin City Court | 25,000 | 6,000 | 3,330 | (2,670) |
| | 815,000 | 1,196,680 | 866,364 | (330,316) |
| Insurance rebates | 50,000 | 50,000 | 116,663 | 66,663 |
| Fines and forfeits | 45,000 | 28,000 | 37,276 | 9,276 |
| Rentals | 28,200 | 14,200 | 16,195 | 1,995 |
| Interest | 1,000 | 500 | 720 | 220 |
| Cemetery plot and mausoleum sales | 60,000 | 140,000 | 127,550 | (12,450) |
| Miscellaneous | | | | |
| Donations | 53,600 | 75,000 | 186,402 | 111,402 |
| Other sources | 69,000 | 62,200 | 38,270 | (23,930) |
| | 122,600 | 137,200 | 224,672 | 87,472 |
| Total revenues | 4,428,650 | 4,628,430 | 4,424,004 | (204,426) |

(continued)

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule
General Fund (continued)
Year Ended April 30, 2021

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Expenditures: | | | | |
| General Government - | | | | |
| Administrative | 411,430 | 400,030 | 422,124 | (22,094) |
| Judicial | 506,900 | 528,800 | 649,296 | (120,496) |
| Public Safety - | | | | |
| Police | 1,228,720 | 1,179,270 | 1,303,359 | (124,089) |
| Fire | 742,100 | 693,940 | 741,519 | (47,579) |
| Public works - | | | | |
| Streets and drainage | 679,070 | 668,300 | 672,173 | (3,873) |
| Other funding | 179,130 | 196,480 | 314,248 | (117,768) |
| Recreation | 334,100 | 233,360 | 251,715 | (18,355) |
| Community development | 97,200 | 77,250 | 75,281 | 1,969 |
| Debt service- | | | | |
| Principal | 111,000 | 121,000 | 120,120 | 880 |
| Interest and fiscal charges | 43,000 | 35,000 | 53,750 | (18,750) |
| Capital Outlay | | | | |
| Police | 10,000 | - | 9,454 | (9,454) |
| Fire | 15,000 | 223,000 | 222,605 | 395 |
| Recreation | - | - | 3,047 | (3,047) |
| Community development | 1,000 | - | - | - |
| Total expenditures | 4,358,650 | 4,356,430 | 4,838,691 | (482,261) |
| Excess (deficiency) of revenues over expenditures | 70,000 | 272,000 | (414,687) | (686,687) |
| Other financing sources (uses): | | | | |
| Proceeds from capital lease | - | 223,000 | 222,605 | (395) |
| Proceeds from sale of assets | 50,000 | 50,000 | 3,067 | (46,933) |
| Transfers in | - | - | 500,591 | 500,591 |
| Transfers out | (120,000) | (545,000) | (257,714) | 287,286 |
| Total other financing sources (uses) | (70,000) | (272,000) | 468,549 | 740,549 |
| Net change in fund balance | - | - | 53,862 | 53,862 |
| Fund balance, beginning | 481,414 | 481,414 | 481,414 | - |
| Fund balance, ending | $ 481,414 | $ 481,414 | $ 535,276 | $ 53,862 |

*See notes to required supplementary information.*

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule
Liquid and Solid Waste Fund
Year Ended April 30, 2021

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Revenues: | | | | |
| Taxes | | | | |
| Ad valorem | $ 218,000 | $ 225,000 | $ 225,818 | $ 818 |
| Sales | 1,000,000 | 885,000 | 975,623 | 90,623 |
| Sewer service charges | 281,000 | 226,000 | 218,655 | (7,345) |
| Sanitation service charges | 793,000 | 710,000 | 623,049 | (86,951) |
| Intergovernmental | 160,000 | 345,000 | 308,086 | (36,914) |
| Interest earned | 100 | 100 | 8 | (92) |
| Miscellaneous | - | - | 459 | 459 |
| Total revenues | 2,452,100 | 2,391,100 | 2,351,698 | (39,402) |
| Expenditures: | | | | |
| Sanitation - | | | | |
| Administrative | $ 395,326 | $ 368,035 | $ 389,433 | $ (21,398) |
| Meter department | 112,200 | 116,620 | 115,000 | 1,620 |
| Sewer collection | 398,200 | 315,100 | 353,245 | (38,145) |
| Sewer plant | 536,300 | 439,100 | 512,799 | (73,699) |
| Solid waste | 643,000 | 640,000 | 658,060 | (18,060) |
| Debt service- | | | | |
| Principal retirement | - | 95,000 | 51,000 | 44,000 |
| Interest and fiscal charges | 5,000 | 7,000 | 12,079 | (5,079) |
| Capital outlay | - | - | 7,990 | (7,990) |
| Total expenditures | 2,090,026 | 1,980,855 | 2,099,606 | (118,751) |
| Excess of revenues over expenditures | 362,074 | 410,245 | 252,092 | (158,153) |
| Other financing sources (uses): | | | | |
| Proceeds from issuance of debt | - | 377,000 | 55,560 | (321,440) |
| Debt forgiveness income | - | - | 29,859 | 29,859 |
| Operating transfers out | (6,000) | (556,000) | (409,770) | 146,230 |
| Total other financing sources (uses) | (6,000) | (179,000) | (324,351) | (145,351) |
| Net change in fund balance | 356,074 | 231,245 | (72,259) | (303,504) |
| Fund balance, beginning | 2,905,879 | 2,905,879 | 2,905,879 | - |
| Fund balance, ending | $ 3,261,953 | $ 3,137,124 | $ 2,833,620 | $ (303,504) |

*See notes to required supplementary information.*

CITY OF FRANKLIN, LOUISIANA

Schedule of Employer's Share of Net Pension Liability/Asset
Year Ended April 30, 2021

| Plan Year ended June 30, | Employer Proportion of the Net Pension Liability | Employer Proportionate Share of the Net Pension Liability (Asset) | Employer's Covered Payroll | Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| Municipal Employees' Retirement System | | | | | |
| 2015 | 0.883401% | 3,155,647 | 1,497,323 | 210.8% | 66.18% |
| 2016 | 0.826225% | 3,386,457 | 1,478,889 | 229.0% | 62.11% |
| 2017 | 0.701866% | 2,936,201 | 1,274,736 | 230.3% | 62.49% |
| 2018 | 0.727959% | 3,014,244 | 1,326,141 | 227.3% | 63.94% |
| 2019 | 0.828828% | 3,463,392 | 1,526,023 | 227.0% | 64.68% |
| 2020 | 0.915050% | 3,956,135 | 1,741,192 | 227.2% | 64.52% |
| Municipal Police Employees' Retirement System | | | | | |
| 2015 | 0.109510% | 857,896 | 280,975 | 305.3% | 70.73% |
| 2016 | 0.119337% | 1,118,524 | 326,744 | 342.3% | 66.04% |
| 2017 | 0.093529% | 816,548 | 248,195 | 329.0% | 66.04% |
| 2018 | 0.105378% | 890,872 | 284,374 | 313.3% | 71.89% |
| 2019 | 0.101163% | 918,729 | 343,863 | 267.2% | 71.01% |
| 2020 | 0.081862% | 756,596 | 264,888 | 285.6% | 70.94% |
| Firefighters' Retirement System | | | | | |
| 2015 | 0.057994% | 313,000 | 114,242 | 274.0% | 72.45% |
| 2016 | 0.074360% | 486,382 | 169,997 | 286.1% | 68.16% |
| 2017 | 0.061138% | 350,434 | 139,455 | 251.3% | 73.55% |
| 2018 | 0.081638% | 469,588 | 171,193 | 274.3% | 74.76% |
| 2019 | 0.072603% | 454,633 | 175,470 | 259.1% | 73.96% |
| 2020 | 0.077073% | 534,235 | 191,880 | 278.4% | 72.61% |
| Louisiana State Employees' Retirement System | | | | | |
| 2015 | 0.001220% | 83,114 | 21,952 | 378.6% | 62.66% |
| 2016 | 0.001050% | 82,452 | 22,374 | 368.5% | 57.73% |
| 2017 | 0.001080% | 75,949 | 20,854 | 364.2% | 62.54% |
| 2018 | 0.001020% | 69,836 | 20,854 | 334.9% | 64.30% |
| 2019 | 0.001000% | 72,377 | 20,854 | 347.1% | 62.90% |
| 2020 | 0.001000% | 82,541 | 20,854 | 395.8% | 58.00% |

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*
*See notes to required supplementary information.*

CITY OF FRANKLIN, LOUISIANA

Schedule of Employer Contributions
Year Ended April 30, 2021

| Fiscal Year ended May 30, | Contractually Required Contribution | Contributions in Relation to Contractual Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|---|---|---|---|---|---|
| Municipal Employees' Retirement System | | | | | |
| 2016 | $ 285,688 | $ 286,869 | (1,181) | $ 1,446,519 | 19.83% |
| 2017 | $ 290,697 | $ 289,495 | 1,202 | $ 1,306,502 | 22.16% |
| 2018 | $ 316,325 | $ 316,125 | 200 | $ 1,295,530 | 24.40% |
| 2019 | $ 385,245 | $ 378,977 | 6,268 | $ 1,469,933 | 25.78% |
| 2020 | $ 489,068 | $ 489,068 | - | $ 1,782,117 | 27.44% |
| 2021 | $ 510,557 | $ 510,557 | - | $ 1,746,814 | 29.23% |
| Municipal Police Employees' Retirement System | | | | | |
| 2016 | $ 78,612 | $ 86,433 | (7,821) | $ 263,503 | 32.80% |
| 2017 | $ 97,271 | $ 96,746 | 525 | $ 310,028 | 31.21% |
| 2018 | $ 80,617 | $ 80,587 | 30 | $ 260,755 | 30.91% |
| 2019 | $ 103,731 | $ 103,681 | 50 | $ 324,160 | 31.98% |
| 2020 | $ 86,716 | $ 86,716 | - | $ 267,254 | 32.45% |
| 2021 | $ 120,950 | $ 120,950 | - | $ 360,235 | 33.58% |
| Firefighters' Retirement System | | | | | |
| 2016 | $ 39,904 | $ 39,619 | 285 | $ 144,666 | 27.39% |
| 2017 | $ 38,400 | $ 38,603 | (203) | $ 150,096 | 25.72% |
| 2018 | $ 51,072 | $ 51,128 | (56) | $ 194,251 | 26.32% |
| 2019 | $ 43,843 | $ 43,843 | - | $ 165,447 | 26.50% |
| 2020 | $ 55,082 | $ 55,082 | - | $ 200,206 | 27.51% |
| 2021 | $ 68,126 | $ 68,126 | - | $ 215,382 | 31.63% |
| Louisiana State Employees' Retirement System | | | | | |
| 2016 | $ 8,431 | $ 8,439 | (8) | $ 21,740 | 38.82% |
| 2017 | $ 7,744 | $ 7,758 | (14) | $ 20,854 | 37.20% |
| 2018 | $ 8,157 | $ 8,142 | 15 | $ 20,854 | 39.04% |
| 2019 | $ 8,154 | $ 8,157 | (3) | $ 20,854 | 39.11% |
| 2020 | $ 8,927 | $ 8,927 | - | $ 21,656 | 41.22% |
| 2021 | $ 9,041 | $ 9,041 | - | $ 20,854 | 43.35% |

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*
*See notes to required supplementary information.*

CITY OF FRANKLIN, LOUISIANA

Notes to Required Supplementary Information
Year Ended April 30, 2021

(1) Basis of Accounting

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Mayor and the City Council.

(2) Budgets and Budgetary Reporting

The City follows these procedures in establishing budgetary data:

1. The City's chief administrative officer prepares a proposed budget for the general and special revenue funds and submits them to the Mayor and City Council.

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 ten 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 a resolution 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 fiscal year.

(3) Expenditures in Excess of Appropriations

Actual expenditures exceeded budgeted appropriations in the General Fund by $194,975.

(4) Retirement Systems

Municipal Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms.

Changes of assumptions –

Municipal Employees' Retirement System

| Fiscal Year ended April 30, | Discount Rate | Investment Rate of Return | Inflation Rate | Expected Remaining Service Lives | Projected Salary Increase |
|---|---|---|---|---|---|
| 2016 | 7.500% | 7.500% | 2.875% | 3 | 5.000% |
| 2017 | 7.500% | 7.500% | 2.875% | 3 | 5.000% |
| 2018 | 7.400% | 7.400% | 2.775% | 3 | 5.000% |
| 2019 | 7.275% | 7.275% | 2.600% | 3 | 5.000% |
| 2020 | 7.000% | 7.000% | 2.500% | 3 | 4.5% - 6.5% |
| 2021 | 6.950% | 6.950% | 2.500% | 3 | 4.5% - 6.4% |

Municipal Police Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms.

Changes of assumptions –

Municipal Police Employees' Retirement System

| Fiscal Year ended April 30, | Discount Rate | Investment Rate of Return | Inflation Rate | Expected Remaining Service Lives | Projected Salary Increase |
|---|---|---|---|---|---|
| 2016 | 7.500% | 7.500% | 2.875% | 4 | 4.25% - 9.75% |
| 2017 | 7.500% | 7.500% | 2.875% | 4 | 4.25% - 9.75% |
| 2018 | 7.325% | 7.325% | 2.700% | 4 | 4.25% - 9.75% |
| 2019 | 7.200% | 7.200% | 2.600% | 4 | 4.25% - 9.75% |
| 2020 | 7.125% | 7.125% | 2.500% | 4 | 4.25% - 9.75% |
| 2021 | 6.950% | 6.950% | 2.500% | 4 | 4.70% - 12.30% |

Firefighters' Retirement System

Changes of benefit terms – There were no changes of benefit terms.

Changes of assumptions –

Firefighters' Retirement System

| Fiscal Year ended April 30, | Discount Rate | Investment Rate of Return | Inflation Rate | Expected Remaining Service Lives | Projected Salary Increase |
|---|---|---|---|---|---|
| 2016 | 7.500% | 7.500% | 2.875% | 7 | 4.75% - 15.0% |
| 2017 | 7.500% | 7.500% | 2.875% | 7 | 4.75% - 15.0% |
| 2018 | 7.400% | 7.400% | 2.775% | 7 | 4.75% - 15.0% |
| 2019 | 7.300% | 7.300% | 2.700% | 7 | 4.75% - 15.0% |
| 2020 | 7.150% | 7.150% | 2.500% | 7 | 4.5% - 14.75% |
| 2021 | 7.000% | 7.000% | 2.500% | 7 | 5.20% - 14.10% |

Louisiana State Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms.

Changes of assumptions –

Louisiana State Employees' Retirement System

| Fiscal Year ended April 30, | Discount Rate | Investment Rate of Return | Inflation Rate | Expected Remaining Service Lives | Projected Salary Increase |
|---|---|---|---|---|---|
| 2016 | 7.750% | 7.750% | 3.000% | 3 | 3.0% - 5.5% |
| 2017 | 7.750% | 7.750% | 3.000% | 3 | 3.0% - 5.5% |
| 2018 | 7.700% | 7.700% | 2.750% | 3 | 2.8% - 5.3% |
| 2019 | 7.650% | 7.650% | 2.750% | 3 | 2.8% - 5.3% |
| 2020 | 7.600% | 7.600% | 2.500% | 2 | 2.8% - 5.3% |
| 2021 | 7.550% | 7.550% | 2.300% | 2 | 2.6% - 5.1% |

## OTHER SUPPLEMENTARY INFORMATION

CITY OF FRANKLIN, LOUISIANA

Justice System Funding Schedule - Receiving Entity
Year Ended April 30, 2021

| | First Six Month Period Ended 10/31/2020 | Second Six Month Period Ended 4/30/2021 |
|---|---|---|
| **Receipts From:** | | |
| City Court of Franklin - Criminal Fines | $ 5,790 | $ 11,950 |
| City Court of Franklin - Criminal Fees - Other | 2,930 | 400 |
| Total Receipts | $ 8,720 | $ 12,350 |

CITY OF FRANKLIN, LOUISIANA

Combining Balance Sheet
Nonmajor Governmental Funds
April 30, 2021

| | Special Revenue | | Debt Service | |
|---|---|---|---|---|
| | Summer Feeding Program Fund | Narcotic Aid Fund | Equipment Lease Fund | Total Nonmajor Governmental Funds |
| ASSETS | | | | |
| Cash | $ 8,645 | $ 14,351 | $ 17,521 | $ 40,517 |
| LIABILITIES FUND BALANCES | | | | |
| Fund balance: | | | | |
| Restricted | $ 8,645 | $ 14,351 | $ 17,521 | $ 40,517 |

CITY OF FRANKLIN, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended April 30, 2021

| | Special Revenue | | Debt Service | |
|---|---|---|---|---|
| | Summer Feeding Program Fund | Narcotic Aid Fund | Equipment Lease Fund | Total Nonmajor Governmental Funds |
| Revenues: | | | | |
| Intergovernmental | $ 37,222 | $ - | $ - | $ 37,222 |
| Fees, commissions, and charges for services | - | 442 | - | 442 |
| Interest Income | - | 4 | 10 | 14 |
| Total revenues | 37,222 | 446 | 10 | 37,678 |
| Expenditures: | | | | |
| Public safety: | | | | |
| Police | - | 2,651 | - | 2,651 |
| Food Services | 38,529 | - | - | 38,529 |
| Debt Service - | | | | |
| Principal | - | - | 96,833 | 96,833 |
| Interest and fiscal charges | - | - | 34,950 | 34,950 |
| Total expenditures | 38,529 | 2,651 | 131,783 | 172,963 |
| Excess (deficiency) of revenues over expenditures | (1,307) | (2,205) | (131,773) | (135,285) |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 134,400 | 134,400 |
| Net change in fund balances | (1,307) | (2,205) | 2,627 | (885) |
| Fund balances, beginning | 9,952 | 16,556 | 14,894 | 41,402 |
| Fund balances, ending | $ 8,645 | $ 14,351 | $ 17,521 | $ 40,517 |

# INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS

# KOLDER, SLAVEN & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
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## 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 Eugene Foulcard, Mayor
And the Honorable Members of the City Council
City of Franklin, 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 Franklin (hereinafter "City"), as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 28, 2021. Our report expressed an adverse opinion on the aggregate discretely presented component units because the financial statements of the City's primary government do not include financial data for the City's legally separate component units.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**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 financial statements. 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 2021-001.

**City's Response to Findings**

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

**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 the provisions of 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
October 28, 2021

CITY OF FRANKLIN, LOUISIANA

Summary Schedule of Prior Audit Findings
Year Ended April 30, 2021

A. Internal Control -

No findings were reported under this section.

B. Compliance -

2019-001 – Noncompliance with the Louisiana Local Government Budget Act:

CONDITION: Revenues in the Capital Outlay Fund failed to meet budgeted amounts by five percent or more.

CURRENT STATUS: This particular issue of noncompliance was only applicable to the year ended April 30, 2020. However, violations of the Louisiana Local Government Budget Act were identified in the current year. See schedule of audit results and findings item 2021-001.

C. OMB Uniform Guidance –

Not applicable in the prior period.

D. Management Letter –

No management letter was issued in the prior period.

CITY OF FRANKLIN, LOUISIANA

Schedule of Audit Results and Findings
Year Ended April 30, 2021

## Part I. Summary of Audit Results

1. Type of auditor's report issued on the financial statements:

| Opinion Unit | Type of Opinion |
|---|---|
| Governmental Activities | Unmodified |
| Business-type Activities | Unmodified |
| Major Funds: | |
| General | Unmodified |
| Liquid and Solid Waste | Unmodified |
| Capital Outlay | Unmodified |
| Water | Unmodified |
| Aggregate remaining fund information | Unmodified |
| Aggregate discretely presented component units | Adverse |

2. Internal control over financial reporting:

| | | |
|---|---|---|
| Material weakness(es) identified | ______ yes | ✓ no |
| Significant deficiency(ies) identified | ______ yes | ✓ none reported |

3. Noncompliance material to the financial statements? ✓ yes ______ no

Other

4. Management letter issued? ______ yes ✓ no

## Part II. Findings reported in accordance with *Government Auditing Standards*

A. Internal Control Finding-

None

B. Compliance Finding-

2021-001 – Local Government Budget Act

Year Initially Occurring: Unknown

CONDITION: Revenues in the Liquid and Solid Waste Fund failed to meet budgeted revenues by greater than five percent.

CRITERIA: R.S. 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 collections 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 appropriately budget for the lease proceeds for assets acquired through capital lease.

EFFECT: The City is not in compliance with the Local Government Budget Act.

RECOMMENDATION: The City should implement procedures to ensure that budgets are amended when required.

Part III. <u>Findings and questioned costs reported in accordance with the Uniform Guidance:</u>

The requirements of the Uniform Guidance are not applicable.

**CORRECTIVE ACTION PLAN FOR CURRENT AUDIT FINDINGS**

APPENDIX A

City of Franklin
Louisiana
P.O. Box 567 • 300 Iberia Street, Franklin, La 70538
Phone: (337) 828-3631 • (337) 828-6310

Eugene P. Foulcard
Mayor

October 27, 2021

Kolder, Slaven & Company
1201 David Drive
Morgan City, LA 70380

Gentlemen:

The City's response to the audit finding that revenues in the Liquid & Solid Waste Fund failed to meet budgeted revenues by greater than five percent is due to an error in estimating the amount of funds remaining to be drawn under the DHH Loan Program. The final drawdown of funds took place during the year ended April 30, 2021. As a result, it is not anticipated that a circumstance such as this would occur again in the future.

Sincerely,

Eugene Foulcard

Eugene P. Foulcard, Mayor