

CITY OF BASTROP, LOUISIANA

FINANCIAL REPORT

June 30, 2019

**HILL, INZINA & COMPANY**

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Certified Public Accountants • A Professional Corporation  
701 East Madison Avenue • Bastrop, Louisiana 71220  
Telephone 318-281-4492 • Fax 318-281-4087 • E-mail [hillinzina@bellsouth.net](mailto:hillinzina@bellsouth.net)

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# HILL, INZINA & COMPANY

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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

The Honorable Henry C. Cotton, Mayor,  
and Members of the Board of Aldermen  
City of Bastrop, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an



opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the budgetary comparison schedules; the schedule of proportionate share of net position liability; and the schedule of contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of mayor's and alderman's compensation and the schedule of compensation, benefits and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

/s/ Hill, Inzina & Co.

December 10, 2019

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

## CITY OF BASTROP, LOUISIANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended June 30, 2019

As management of City of Bastrop, Louisiana (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the City's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the City based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the notes to financial statements and supplementary information that are provided in addition to this discussion and analysis of management.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to provide readers with a concise "entity-wide" statement of net position and statement of activities, seeking to give the users of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening. Evaluation of the overall economic health of the City would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the City's net position changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the City's distinct activities or functions on revenues provided by the citizenry of the City.

The government-wide financial statements report governmental activities of the City that are principally supported by taxes and intergovernmental revenues. Governmental activities include general administrative services, public safety, public works, sanitation, and public improvements.

## 2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of the City are governmental funds that are used to account for all of the City's basic services and are reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and commitment of spendable resources for the near-term.

## 3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

In addition to the basic financial statements, the City also includes in this report additional information to supplement the basic financial statements.

## Government-Wide Financial Analysis

The following provides a summary of the net assets (in thousands of dollars) of the City's governmental activities as of June 30:

	<u>2019</u>	<u>2018</u>
Other assets	\$ 13,399	\$ 13,759
Capital assets, net of depreciation	<u>11,530</u>	<u>11,608</u>
Total assets	<u>\$ 24,929</u>	<u>\$ 25,367</u>
Deferred outflows of resources	<u>\$ 2,494</u>	<u>\$ 2,603</u>
Other liabilities	\$ 462	\$ 601
Long-term liabilities	<u>33,583</u>	<u>31,064</u>
Total liabilities	<u>\$ 34,045</u>	<u>\$ 31,665</u>
Deferred inflows of resources	<u>\$ 730</u>	<u>\$ 765</u>
Net position:		
Invested in capital assets, net of related debt	\$ 11,002	\$ 11,002
Restricted	8,223	8,109
Unrestricted (deficit)	<u>(26,577)</u>	<u>(23,571)</u>
Total net position (deficit)	<u>\$( 7,352)</u>	<u>\$( 4,460)</u>

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Restricted net assets of the governmental activities represent resources that are subject to external restrictions as to how they may be used. By far the largest portion of the City's net position as June 30, 2019 consists of the investment in capital assets. The City uses these capital assets to provide services to its citizenry; consequently, these assets are not available for future spending.

The following summarizes the City's net position changes (in thousands of dollars) of the governmental activities between the two years ended June 30:

	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,120	\$ 2,069
Operating grants and contributions	504	367
Capital grants and contributions	138	62
General revenues:		
Taxes	8,750	8,830
Intergovernmental	1,028	1,021
Unrestricted investment earnings	108	84
Miscellaneous	609	643
Special items:		
Loss on disposition of capital assets	( 92)	
Donation of capital asset	10	47
Total revenues and special items	<u>\$ 13,175</u>	<u>\$ 13,123</u>
Expenses:		
General government	\$ 3,415	\$ 3,051
Public safety	6,058	5,302
Public works	2,493	5,981
Sanitation	1,810	1,529
Economic development	10	10
Debt service	239	254
Total expenses	<u>\$ 14,025</u>	<u>\$ 16,127</u>
Change in net position	\$( 850)	\$( 3,004)
Net position - beginning (deficit)	( 4,460)	( 1,136)
Prior period adjustment	<u>( 2,042)</u>	<u>( 320)</u>
Net position - ending (deficit)	<u>\$( 7,352)</u>	<u>\$( 4,460)</u>

The City's total revenues and special items increased by only \$52,000 while the total costs of all programs and services decreased by \$2,102,000.

General revenues are those available for the City to pay for the governmental activities. For the year ended June 30, 2019, taxes were the largest general revenue source for the City and charges for services were the largest program revenue source for the City.

Program revenues derive directly from the program itself or from parties outside the City's taxpayers or citizenry. As a whole, they reduce the cost of the function to be financed from the City's general revenues.

### Financial Analysis of Governmental Funds

As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$12,925,804, a decrease of \$33,310 from \$12,591,114 as of June 30, 2018. \$8,223,217 of the ending combined fund balance as of June 30, 2019 was restricted for debt service.

### Budgetary Highlights

The City made amendments to all of its budgets with there being no unfavorable variances of 5% or more in the final budgets.

### Capital Assets and Debt Administration

The City's major capital asset additions during the current fiscal year were for machinery and equipment. Depreciation of capital assets of \$516,673 for the year ended June 30, 2019 was recorded in the governmental activities of the government-wide financial statements.

As of June 30, 2019, the City had long-term liabilities comprised of the following:

Capital leases	\$ 528,054
Workout agreement and pledge of leases and rents	370,766
Firemen's lawsuit	1,673,806
Compensated absences	191,913
Sewer revenue and refunding revenue bonds	3,940,000
Sales tax revenue bonds	<u>3,450,000</u>
Total long-term liabilities	<u>\$ 10,154,539</u>

All debt service requirements of the current fiscal year were timely met. See notes 9 and 10 to the financial statements for information relating to the workout agreement and firemen's lawsuit. The majority of long-term debt retirements were made for revenue bonds.



## Economic Factor's and Next Year's Budget

The City prepared and adopted the General Fund's budget for the fiscal year ending June 30, 2020 with budgeted revenues and other financing sources of \$11,853,767, a decrease from the final amended budgeted revenues and other financing sources of \$11,930,210 for the year ended June 30, 2019. Likewise, budgeted expenditures and other financing uses of the General Fund were increased to \$13,782,074 from the final amended budgeted amount of \$12,679,803 for the fiscal year ended June 30, 2019.

The Sewer Use Fee Fund's fiscal year ending June 30, 2020 budgeted revenues were increased to \$1,737,210 from \$1,160,456 budgeted for the year ended June 30, 2019. Budgeted expenditures for the year ending June 30, 2020 were increased by \$1,116,788 from the year ended June 30, 2019 due to an expected street project funded by a grant.

Minimal changes were made in the budgeted revenues of the Sales Tax Fund for the fiscal year ending June 30, 2020. Budgeted expenditures for the year ending June 30, 2020 were decreased by \$269,591 from the year ended June 30, 2019 due to the completion of street overlay projects.

### Requests for Information

This financial report is designed to provide a general overview of the City's financial picture for all those with an interest in the City's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City Clerk, P. O. Box 431, Bastrop, Louisiana 71220.

**BASIC FINANCIAL STATEMENTS**

CITY OF BASTROP, LOUISIANA

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES

June 30, 2019

ASSETS

Cash	\$ 7,257,374
Pooled deposits	3,097,890
Receivables:	
Accounts	149,504
Taxes	75,888
Inventory	43,708
Due from other governments	259,727
Restricted assets:	
Cash	1,794,523
Money market mutual funds	720,403
Capital assets:	
Land	1,123,742
Other capital assets, net of depreciation	<u>10,406,740</u>
Total assets	<u>\$ 24,929,499</u>

DEFERRED OUTFLOWS OF RESOURCES

Resources related to pensions	<u>\$ 2,494,001</u>
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CITY OF BASTROP, LOUISIANA

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES (Continued)

June 30, 2019

LIABILITIES

Accounts payable	\$ 351,060
Accrued salaries	76,898
Accrued interest	34,210
Long-term liabilities:	
Due within one year	1,107,343
Due in more than one year	9,047,196
Net pension liability	8,487,823
Net other postemployment benefit obligation	<u>14,940,336</u>
Total liabilities	<u>\$ 34,044,866</u>

DEFERRED INFLOWS OF RESOURCES

Resources related to pensions	<u>\$ 730,683</u>
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NET POSITION

Invested in capital assets, net of related debt	\$ 11,002,428
Restricted for debt service	8,223,217
Unrestricted (deficit)	<u>( 26,577,694)</u>
Total net position	<u><u>\$ ( 7,352,049)</u></u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
As of and for the Year Ended June 30, 2019

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs:					
Current:					
General government	\$ 3,414,930	\$ 646,394	\$ 156,021	\$ 138,181	\$( 2,474,334)
Public safety	6,058,288	64,577	347,983	-	( 5,645,728)
Public works	2,493,736	77,291	-	-	( 2,416,445)
Sanitation	1,810,009	1,332,195	-	-	( 477,814)
Economic development	10,000	-	-	-	( 10,000)
Debt service:					
Interest and fiscal charges	<u>239,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 239,526)</u>
Totals	<u>\$ 14,026,489</u>	<u>\$ 2,120,457</u>	<u>\$ 504,004</u>	<u>\$ 138,181</u>	<u>\$( 11,263,847)</u>
General revenues:					
Taxes					\$ 8,750,376
Intergovernmental					1,028,473
Unrestricted investment earnings					108,432
Miscellaneous					608,804
Special items:					
Loss on disposition of capital assets					( 91,859)
Donation of capital asset					<u>10,000</u>
Total general revenues and special items					<u>\$ 10,414,226</u>
Change in net position					\$( 849,621)
Net position - beginning (deficit)					( 4,460,377)
Prior period adjustment					<u>( 2,042,051)</u>
Net position - ending (deficit)					<u>\$( 7,352,049)</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

ASSETS	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Cash	\$ 1,506,548	\$ 1,708,245	\$ 4,042,581	\$ 7,257,374
Pooled deposits	1,838,352	1,259,538	-	3,097,890
Receivables:				
Accounts	-	149,504	-	149,504
Taxes	75,888	-	-	75,888
Due from other funds	15,825	-	-	15,825
Inventory	43,708	-	-	43,708
Due from other governments	214,472	-	-	214,472
Restricted assets:				
Cash	177	942,345	852,001	1,794,523
Money market mutual funds	-	720,403	-	720,403
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 3,694,970</u>	<u>\$ 4,780,035</u>	<u>\$ 4,894,582</u>	<u>\$ 13,369,587</u>

(continued)

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)

June 30, 2019

LIABILITIES AND FUND BALANCES	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Liabilities:				
Accounts payable	\$ 337,250	\$ 6,818	\$ 6,992	\$ 351,060
Due to other funds	-	-	15,825	15,825
Accrued salaries	76,898	-	-	76,898
Total liabilities	<u>\$ 414,148</u>	<u>\$ 6,818</u>	<u>\$ 22,817</u>	<u>\$ 443,783</u>
Fund balances:				
Nonspendable (inventory)	\$ 43,708	\$ -	\$ -	\$ 43,708
Restricted (debt service)	-	4,773,217	3,450,000	8,223,217
Assigned	42,522	-	1,421,765	1,464,287
Unassigned	3,194,592	-	-	3,194,592
Total fund balances	<u>\$ 3,280,822</u>	<u>\$ 4,773,217</u>	<u>\$ 4,871,765</u>	<u>\$ 12,925,804</u>
Total liabilities and fund balances	<u>\$ 3,694,970</u>	<u>\$ 4,780,035</u>	<u>\$ 4,894,582</u>	<u>\$ 13,369,587</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE  
IN FUND BALANCES - GOVERNMENTAL FUNDS

As of and for the Year Ended June 30, 2019

	<u>General</u> <u>Fund</u>	<u>Sewer</u> <u>Use Fee</u> <u>Fund</u>	<u>Sales</u> <u>Tax</u> <u>Fund</u>	<u>Totals</u>
Revenues:				
Taxes	\$ 7,826,630	\$ -	\$ 923,746	\$ 8,750,376
Licenses and permits	456,937	-	-	456,937
Intergovernmental	1,668,133	-	-	1,668,133
Fees, charges, and commissions for services	476,084	1,122,859	-	1,598,943
Fines and forfeitures	64,577	-	-	64,577
Interest and miscellaneous	416,851	42,295	18,583	477,729
Total revenues	<u>\$ 10,909,212</u>	<u>\$ 1,165,154</u>	<u>\$ 942,329</u>	<u>\$ 13,016,695</u>
Expenditures:				
Current:				
General government	\$ 2,914,333	\$ -	\$ -	\$ 2,914,333
Public safety	5,077,742	-	-	5,077,742
Public works	1,672,688	-	385,257	2,057,945
Sanitation	1,471,217	137,101	-	1,608,318
Economic development	10,000	-	-	10,000
Debt service:				
Principal	1,126,563	210,000	556,680	1,893,243
Interest and fiscal charges	19,068	124,265	98,643	241,976
Capital outlay	240,186	54,529	51,733	346,448
Total expenditures	<u>\$ 12,531,797</u>	<u>\$ 525,895</u>	<u>\$ 1,092,313</u>	<u>\$ 14,150,005</u>

(continued)



CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)  
 As of and for the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Excess (deficiency) of revenues over expenditures	\$( 1,622,585)	\$ 639,259	\$( 149,984)	\$( 1,133,310)
Other financing sources:				
Revenue anticipation note proceeds	<u>1,100,000</u>	<u>-</u>	<u>-</u>	<u>1,100,000</u>
Net change in fund balances	\$( 522,585)	\$ 639,259	\$( 149,984)	\$( 33,310)
Fund balances - beginning	<u>3,803,407</u>	<u>4,133,958</u>	<u>5,021,749</u>	<u>12,959,114</u>
Fund balances - ending	<u>\$ 3,280,822</u>	<u>\$ 4,773,217</u>	<u>\$ 4,871,765</u>	<u>\$ 12,925,804</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2019

Total fund balances - governmental funds balance sheet	\$ 12,925,804
Amounts reported for governmental activities in statement of net assets are different because:	
Certain revenues are not currently available at the end of the City's fiscal year and are not reported in the funds.	45,255
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,530,482
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	( 10,188,749)
Net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	( 8,487,823)
Net effect of deferred outflows of resources and deferred inflows of resources related to pensions do not require the use of current financial resources and therefore are not reported in the funds.	1,763,318
Contributions to the OPEB obligation are reported as expenditures in the governmental funds. However, these amounts are reported as a reduction of long-term liabilities in the governmental activities.	<u>( 14,940,336)</u>
Total net position of governmental activities (deficit) - government-wide statement of net position	<u><u>\$ ( 7,352,049)</u></u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

June 30, 2019

Net change in fund balances - governmental funds \$( 33,310)

Amounts reported for governmental activities in statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$516,673) exceeded capital outlay (\$346,448) in the current period. ( 170,225)

The net loss from the disposition of capital assets was recorded in the statement of activities. ( 91,859)

The estimated current market value of an asset donated to the City was recorded in the statement of activities. 10,000

Governmental funds do not report some revenues because they will not be collected for some time after fiscal year-end and are not "available" revenues. 2,525

Governmental funds report principal and interest payments on long-term obligations as an expense when actually paid. However, in the statement of activities, interest is expensed as accrued and principal payments are reported as reductions of the related debt. Long-term debt proceeds are reported as other financing sources in the governmental funds while as increases of debt in the statement of net position. This is the amount related to these reporting differences. ( 787,949)

Proportionate share of non-employer contributions to pension plans do not provide current financial resources and are not reported as revenue in the governmental funds. 239,506

(continued)

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Continued)

June 30, 2019

Governmental funds report current year pension contributions as expenditures. However, in the statement of activities, these contributions are reported as deferred inflows of resources and the proportionate share of the plans' pension expense is reported as such.	( 391,159)
OPEB obligations reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>( 1,203,048)</u>
Changes in net assets of governmental activities - government-wide statement of activities	<u><u>\$( 849,621)</u></u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2019

Note 1. Organization and Summary of Significant Accounting Policies

City of Bastrop, Louisiana (the "City"), operates under a mayor-board of aldermen form of government in accordance with the provisions of the charter adopted July 3, 1952. Citizens elect the mayor (at large) and five council members (by districts) who are each compensated. The City is located in northeast Louisiana, its population is approximately 11,000, and it employs approximately 140 people.

The following services are provided as authorized by its charter: general administrative services, public safety (police and fire), public works (building maintenance, cemetery, health, recreation, and streets), sanitation, and public improvements.

GASB Statement No. 14, *The Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units- an amendment of GASB Statement No. 14*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of these statements, the City is considered a primary government, as it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statements No. 14 and 39, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

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 criteria includes:

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

## NOTES TO FINANCIAL STATEMENTS

Based on the criteria, the City has determined that City of Bastrop Sales Tax District No. 1 is a component unit of the reporting entity. As required by generally accepted accounting principles (GAAP), these financial statements present the primary government (the City) and its component unit. The component unit is reported as part of the municipality and blended with the appropriate municipality funds.

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality, are blended component units. For a component unit to be blended, the organization's board and the municipality's must be substantively the same or the organization must provide services entirely or almost entirely to the municipality.

Also considered in the determination of component units of the reporting entity were Bastrop City Marshal and City Court of Bastrop. The day-to-day operations of the marshal and court are funded by the City's General Fund and their activities are primarily for residents of the City. However, the agency funds of these two entities are not shown in this report and their individual financial statements are available by contacting the entities. These governmental entities are staffed by independently elected officials and are legally separate from the City.

The more significant of the City's accounting policies are described below:

### Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements report governmental activities, generally supported by taxes and intergovernmental revenues. The City has no business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report licenses, permits, fees, fines, forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported instead as general revenues.

## NOTES TO FINANCIAL STATEMENTS

### Fund Financial Statements:

Fund financial statements are provided for governmental funds with major individual governmental funds reported in separate columns.

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

The financial statements of the City are prepared in accordance with GAAP. The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include services provided to City departments. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest related to long-term debt, as well as expenditures related to compensated absences, which are reported as expenditures only when payment is due.

Major revenue sources susceptible to accrual are ad valorem taxes, sales taxes, gross receipts taxes, intergovernmental revenues, and sewer use fees. In general, other revenues are recognized when cash is received.

### Fund Types and Major Funds:

The City reports the following major governmental funds:

General Fund - the general operating fund of the City and accounts for all financial resources, except those required to be accounted for in other funds.

## NOTES TO FINANCIAL STATEMENTS

Sewer Use Fee Fund - accounts for a dedicated source of revenue available for repayment of funds borrowed to make improvements to the sewage treatment and collection systems.

Sales Tax Fund - accounts for a dedicated source of revenue available for maintaining, improving, repairing, and extending streets, sidewalks, alleys, roadways, and related drainage within the territorial limits of City of Bastrop Sales Tax District No. 1.

### Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for all of the governmental funds on June 26, 2018. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The City Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures, resulting from revenues exceeding amounts estimated, must be approved by the Board of Aldermen. Final amendments were made to all budgets on June 27, 2019 and the budgetary comparison schedules, included as supplementary information in the accompanying financial statements, include the original and final amended budgeted amounts. All annual appropriations lapse at the end of each fiscal year.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Cash:

Cash includes amounts in interest-bearing demand and time deposits. Under state law, the City may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

### Money Market Mutual Funds and Pooled Deposits:

Money market mutual funds and pooled deposits are stated at fair value based on quoted market values. The fair value of the deposits is determined on a weekly basis to monitor any variances between amortized cost and market value. Legally binding guarantees have not been obtained to support the value of the deposits as all are short-term, highly-liquid securities.



## NOTES TO FINANCIAL STATEMENTS

State statutes authorize the City to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer in 1993 and organized under the laws of the State of Louisiana, which operates a local government investment pool.

### Receivables and Due From Other Governments:

Significant receivables include franchise taxes, intergovernmental revenues, and amounts due from customers for utility services. Un-billed utility service receivables resulting from utility services rendered from the last date prior to the end of the fiscal year that meters were read to the end of the fiscal year are included in the amounts recorded as due from utility customers. Revenues from grants are recorded as earned when eligibility requirements are met.

### Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. City management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

### Inventory:

Inventory of the General Fund consists of expendable supplies held for consumption and is reported at cost. Expenditures are recognized when the items are purchased.

### Interfund Transactions:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/from other funds (i.e. the current portion of interfund loans) in the fund financial statements.

Transfers and payments within the reporting entity that are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis are reported as operating transfers between funds of the reporting entity.

Interfund transactions are eliminated in the government-wide financial statement of activities within the segregated governmental activities.

NOTES TO FINANCIAL STATEMENTS

Restricted Assets:

Restricted assets are reported for cash and money market mutual funds legally restricted for specified uses such as payment of debt service and fiscal fees on long-term debt.

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

Capital Assets and Depreciation:

Capital assets, which include property, plant, and equipment, with useful lives of more than one year, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are stated at fair value on the date of donation.

The City generally capitalizes all individual assets (including infrastructure) with costs of \$2,500 or more as purchase and construction outlays occur.

The costs of normal maintenance and repairs not adding to an asset's value or materially extending its useful life are not capitalized. Upon disposition of capital assets, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

As surplus assets are sold when declared no longer needed for public purposes, salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 - 50 years
Machinery and equipment	5 - 15 years
Roads	20 years

## NOTES TO FINANCIAL STATEMENTS

### Accumulated Compensated Absences:

Allowable annual vacation and sick leave is prescribed by municipal ordinance, based on length of continuous employment by the City, accrued on an employment anniversary basis, and accrued to specified maximums. Compensatory time is also granted to supervisory personnel in lieu of overtime pay. Employees may accumulate unused compensatory time which is paid to the employee in the form of time off or at the employee's current rate of pay upon separation from service.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded as long-term liabilities in the government-wide financial statements in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Compensated absences are paid from the General Fund that is responsible for all employees' compensation and are recorded in the fund financial statements only when payment is actually made.

### Long-Term Liabilities:

Accrued compensated absences, outstanding debt, and the related accrued interest is reported as liabilities in the government-wide financial statements. The fund financial statements recognize proceeds of debt as other financing sources of the current period. Expenditures for compensated absences, long-term debt principal, and interest payments are recorded in the fund financial statements only when payment is due.

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

## NOTES TO FINANCIAL STATEMENTS

### Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expenditure until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City's deferred outflows and deferred inflows are resources related to pensions.

### Equity Classifications:

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

1. Invested in capital assets, net of related debt - 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.
2. Restricted - consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provision or enabling legislation.
3. Unrestricted - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the fund financial statements, governmental fund equity is classified as fund balance. Beginning with fiscal year 2012, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the City's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

1. Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

NOTES TO FINANCIAL STATEMENTS

2. Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
3. Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint;
4. Assigned fund balance - amounts that the City intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
5. Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Revenue Recognition - Ad Valorem and Sales/Use Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the City in September or October, are actually billed to the taxpayers in November, and are due and payable on or before December 31 of the same year or the unpaid taxes become delinquent. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish.

Sales/use taxes collected and held by other governments at year end on behalf of the City and those collected by other governments and remitted to the City within 60 days after June 30 for preceding months are recognized as revenue. The sales/use taxes are collected by Morehouse Sales and Use Tax Commission and remitted to the City.

Note 2. Cash and Deposits

The following is a summary of cash and deposits of the City as of June 30, 2019:

Non-pooled deposits:	
Interest-bearing demand deposits	\$ 7,608,955
Petty cash	800
Money market mutual funds	1,282,436
Held by paying agent	880,109
Pooled deposits	<u>3,097,890</u>
	<u>\$ 12,870,190</u>

## NOTES TO FINANCIAL STATEMENTS

The non-pooled deposits are stated at cost, which approximates market. Under state law, the non-pooled 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. These securities are held by the City or its agent in the name of the City in a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2019, the City had \$7,607,412 in non-pooled demand deposits (collected bank balances). These deposits were secured from risk by \$750,000 of federal deposit insurance and \$6,857,412 of pledged securities held by the City and the pledging financial institution's trust department or their agents in the City's name.

Collateralization is not required for investments in money market mutual funds.

Pooled deposits are held as of June 30, 2019 by Louisiana Asset Management Pool, Inc. (LAMP) and the corporate trust department of Regions Bank. In accordance with GASB, the pooled deposits held by the City as of June 30, 2019 are not categorized in the three risk categories provided by GASB because the pooled deposits are in pools of funds and thereby not evidenced by securities that exist in physical or book entry form.

LAMP is administered by a Louisiana non-profit corporation, LAMP, Inc., which is governed by a board of members elected by the pool's participants each year at the annual meeting. The objective of LAMP is to provide safety of principal and daily liquidity with a competitive rate of return. LAMP invests its assets only in securities and other obligations that are permissible under Louisiana state law for local governments. Regions Bank restricts its investments to securities issued, guaranteed, or otherwise backed by the U.S. Treasury, the U.S. government, or one of its agencies or instrumentalities, government-only money market funds rated AAAM by Standard & Poor's, and commercial paper of domestic United States corporations rated A-1 or A-1+ by Standard & Poor's.

There were no repurchase or reverse repurchase agreements as of June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables and Due From Other Governments

The following is a summary of receivables and due from other governments of the governmental activities as of June 30, 2019:

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Totals</u>
User fees:			
Sewer	\$ -	\$ 149,504	\$ 149,504
Taxes:			
Franchise	75,888	-	75,888
Intergovernmental:			
State	10,921	-	10,921
Local	<u>203,551</u>	<u>-</u>	<u>203,551</u>
	<u>\$ 290,360</u>	<u>\$ 149,504</u>	<u>\$ 439,864</u>

Note 4. Taxes

For the year ended June 30, 2019, ad valorem taxes of 57.93 mills were levied on property with assessed valuations totaling \$56,661,668 as follows:

	<u>Maximum Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General corporate purposes	13.50	13.72	Perpetual
Police	9.58	9.73	2021
Street improvements	9.58	9.73	2021
Sewer maintenance	9.58	9.73	2021
Fire (#1)	4.79	4.87	2021
Fire (#2)	4.55	4.62	2023
Recreation	3.61	3.67	2023
Cemetery	.92	.93	2023
Building maintenance	.92	.93	2023

NOTES TO FINANCIAL STATEMENTS

The following are the principal ad valorem taxpayers for the City:

	<u>Assessed</u> <u>Valuation</u>	<u>Percentage of</u> <u>Total Assessed</u> <u>Valuation</u>	<u>Ad Valorem</u> <u>Tax Revenue</u>
Entergy Louisiana Holdings, Inc.	\$ 1,630,780	2.88%	\$ 94,471
Wal-Mart Real Estate Business Trust	1,598,817	2.82%	92,619
Hillview Nursing Home Inc.	996,061	1.76%	57,702

Total ad valorem taxes levied were \$3,282,412. There were \$19,192 (not considered material to record) of uncollected ad valorem taxes as of June 30, 2019 on this levy.

The following sales and use taxes were levied as of June 30, 2019:

<u>Rate</u>	<u>Purpose</u>	<u>Expiration</u> <u>Date</u>
½%	any and all lawful municipal purposes	June 30, 2028
½%	any and all lawful municipal purposes	June 30, 2028
1%	any and all lawful municipal purposes	June 30, 2028
½%	general, fire, and police operations	Perpetual
½%	streets, sidewalks, alleys, roadways, and related drainage	December 31, 2024

Note 5. Restricted Assets

Restricted assets, \$1,662,748 of the Sewer Use Fee Fund and \$852,001 of the Sales Tax Fund consist of funds required to be maintained and their use is restricted.



NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets and Depreciation

Capital assets and depreciation activity as of and for the year ended June 30, 2019 for the governmental activities is as follows:

	Balance - July 1, <u>2018</u>	<u>Additions</u>	<u>Donations</u>	<u>Deletions</u>	Prior Period Adjustments/ Reclassi- fications	Balance - June 30, <u>2019</u>
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 1,113,742	\$ -	\$ 10,000	\$ -	\$ -	\$ 1,123,742
Construction in progress	<u>37,900</u>	-	-	-	( 37,900)	-
Total capital assets not being depreciated	<u>\$ 1,151,642</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$( 37,900)</u>	<u>\$ 1,123,742</u>
Capital assets being depreciated:						
Infrastructure	\$ 7,316,861	\$ -	\$ -	\$ -	\$ 294,937	\$ 7,611,798
Buildings and improvements	5,911,908	52,854	-	34,023	37,900	5,968,639
Machinery and equipment	<u>7,543,834</u>	<u>293,594</u>	-	<u>699,009</u>	<u>2,901</u>	<u>7,141,320</u>
Total capital assets being depreciated	<u>\$ 20,772,603</u>	<u>\$ 346,448</u>	<u>\$ -</u>	<u>\$ 733,032</u>	<u>\$ 335,738</u>	<u>\$ 20,721,757</u>
Less accumulated depreciation for:						
Infrastructure	\$ 1,072,353	\$ 210,363	\$ -	\$ -	\$ 123,701	\$ 1,406,417
Buildings and improvements	3,746,139	105,678	-	12,065	-	3,839,752
Machinery and equipment	<u>5,497,302</u>	<u>200,632</u>	-	<u>629,108</u>	<u>22</u>	<u>5,068,848</u>
Total accumulated depreciation	<u>\$ 10,315,794</u>	<u>\$ 516,673</u>	<u>\$ -</u>	<u>\$ 641,173</u>	<u>\$ 123,723</u>	<u>\$ 10,315,017</u>
Total capital assets being depreciated, net	<u>\$ 10,456,809</u>	<u>\$( 170,225)</u>	<u>\$ -</u>	<u>\$ 91,859</u>	<u>\$ 212,015</u>	<u>\$ 10,406,740</u>

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## NOTES TO FINANCIAL STATEMENTS

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

General government	\$ 116,787
Public safety	121,275
Public works	76,920
Sanitation	<u>201,691</u>
	<u>\$ 516,673</u>

### Note 7. Short-Term Debt

In August 2018, the City issued \$1,100,000 revenue anticipation notes for the purpose of paying current general expenses for the year ended June 30, 2019. The maturity date was on or before March 1, 2019 and the City paid the note in full with interest thereon in January 2019.

NOTES TO FINANCIAL STATEMENTS

Note 8. Changes in Long-Term Debt

The following is a summary of capital leases, compensated absences, and sewer bond transactions of the governmental activities of the City for the year ended June 30, 2019:

	<u>General Fund</u>		<u>Sewer Use Fee Fund</u>		<u>Sales Tax Fund</u>		<u>Totals</u>
	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer Refunding Revenue Bonds</u>	<u>Capital Lease</u>	<u>Sales Tax Revenue Bonds</u>	
Long-term debt payable - July 1, 2018	\$ 406,000	\$ 184,168	\$ 1,700,000	\$ 2,450,000	\$ 200,824	\$ 3,975,000	\$ 8,915,992
Additions	-	7,745	-	-	-	-	7,745
Retirements	( 47,089)	-	-	( 210,000)	( 31,681)	( 525,000)	( 813,770)
Long-term debt payable - June 30, 2019	<u>\$ 358,911</u>	<u>\$ 191,913</u>	<u>\$ 1,700,000</u>	<u>\$ 2,240,000</u>	<u>\$ 169,143</u>	<u>\$ 3,450,000</u>	<u>\$ 8,109,967</u>

The following is a summary of the current (due within one year) and long-term (due in more than one year) portions of the above long-term debt obligations of the governmental activities as of June 30, 2019:

	<u>General Fund</u>		<u>Sewer Use Fee Fund</u>		<u>Sales Tax Fund</u>		<u>Totals</u>
	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer Refunding Revenue Bonds</u>	<u>Capital Lease</u>	<u>Sales Tax Revenue Bonds</u>	
Current portion	\$ 49,485	\$ 126,090	\$ 120,000	\$ 215,000	\$ 32,768	\$ 540,000	\$ 1,083,343
Long-term portion	<u>309,426</u>	<u>65,823</u>	<u>1,580,000</u>	<u>2,025,000</u>	<u>136,375</u>	<u>2,910,000</u>	<u>7,026,624</u>
Total due	<u>\$ 358,911</u>	<u>\$ 191,913</u>	<u>\$ 1,700,000</u>	<u>\$ 2,240,000</u>	<u>\$ 169,143</u>	<u>\$ 3,450,000</u>	<u>\$ 8,109,967</u>

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## NOTES TO FINANCIAL STATEMENTS

The outstanding revenue bonds as of June 30, 2019 are comprised of the following individual issues:

\$1,700,000 Sewer Revenue Bonds, Series 2015 - dated November 1, 2015, bear interest at 4.10% per annum, interest due May 1 and November 1 of each year, principal payable November 1 of each year, beginning in November 2019.

The bonds were issued for the purposes of (1) financing the acquisition, construction, repair, replacement and/or rehabilitation of existing lift stations as well as other lift stations and other treatment and/or collection facilities including the acquisition and installation of equipment related thereto, (2) fund a debt service reserve fund, and (3) paying the cost of issuance of the bonds.

\$4,470,000 Sewer Refunding Revenue Bonds, Series 2012 - dated November 20, 2012, bear interest ranging from 2.00% to 2.55% per annum, interest due May 1 and November 1 of each year, principal payable May 1 of each year.

The proceeds of the sewer refunding revenue bonds were used to refund the 1994 issue during the fiscal year ended June 30, 2013 and to refund both the 2002 and 2003 issues during the fiscal year ended June 30, 2014.

\$5,000,000 Sales Tax Revenue Bonds, Series 2016 - dated March 29, 2016, bear interest at 2.30% per annum, interest due June 1 and December 1 of each year, principal payable December 1 of each year.

The bonds were issued for the purposes of (1) financing the costs of improving, repairing and extending the streets, sidewalks, alleys, roadways, and related drainage and (3) paying the cost of issuance of the bonds.

## NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize the revenue bonds of the governmental activities as of June 30, 2019 are as follows:

Year Ending <u>June 30,</u>	<u>Sewer Use</u> <u>Fee Fund</u>		<u>Sales Tax</u> <u>Fund</u>	
	Sewer		Sales	
	Refunding		Tax	
	Revenue	Revenue	Revenue	<u>Totals</u>
	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	
2020	\$ 120,000	\$ 215,000	\$ 540,000	\$ 875,000
2021	120,000	220,000	555,000	895,000
2022	125,000	225,000	570,000	920,000
2023	125,000	230,000	580,000	935,000
2024	130,000	230,000	595,000	955,000
2025 - 29	580,000	1,120,000	610,000	2,310,000
2030 - 33	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Totals	<u>\$ 1,700,000</u>	<u>\$ 2,240,000</u>	<u>\$ 3,450,000</u>	<u>\$ 7,390,000</u>

The City incurred and charged to expense \$248,886 of interest costs and fiscal charges during the year ended June 30, 2019 on a revenue anticipation note, revenue bonds, and capital leases. The annual requirements to amortize all interest and administrative fees applicable to the revenue bonds of the governmental activities as of June 30, 2019 are as follows:

Year Ending <u>June 30,</u>	<u>Sewer Use</u> <u>Fee Fund</u>		<u>Sales Tax</u> <u>Fund</u>	
	Sewer		Sales	
	Refunding		Tax	
	Revenue	Revenue	Revenue	<u>Totals</u>
	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	
2020	\$ 67,240	\$ 47,815	\$ 76,956	\$ 192,011
2021	62,320	43,465	63,707	169,492
2022	57,298	39,015	50,094	146,407
2023	52,173	34,465	36,179	122,817
2024	46,945	29,635	21,962	98,542
2025 - 29	158,670	64,455	7,381	230,506
2030 - 33	<u>41,615</u>	<u>-</u>	<u>-</u>	<u>41,615</u>
Totals	<u>\$ 486,261</u>	<u>\$ 258,850</u>	<u>\$ 256,279</u>	<u>\$ 1,001,390</u>

As of June 30, 2019, employees of the City had accumulated and vested \$191,913 of employee leave benefits that will be liquidated by the General Fund.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Workout Agreement and Pledge of Leases and Rents

On December 15, 2018, the City entered into a workout agreement and pledge of leases and rents with Louisiana Department of Economic Development (“LED”). LED entered into a cooperative endeavor agreement in connection with a economic development award program (“EDAP”) effective October 17, 2014 with Flying Tiger Aviation, L.L.C. (“Company”) as the awardee, the City as the sponsoring entity and solidarity obligor with the Company, and two guarantors.

The Company ceased doing business and the guarantors each filed bankruptcy proceedings. The Company, the City, and guarantors were in default of their obligations under the EDAP. The City reached an agreement for a repayment plan of the debt owed under the EDAP to the LED. As part of the agreement, the City agreed to pledge to the LED the leases and rents generated by the reletting of the space formerly occupied by the Company.

The amount owed to LED by the City under the terms of the EDAP was the principal amount of \$376,691, plus interest thereon at the rate of 12% per annum. The City shall pay to LED monthly payments of \$2,000 commencing on January 15, 2019 and continuing on the 15<sup>th</sup> day of each succeeding month thereafter until the total unpaid balance has been credited and paid in full. During the initial term, the monthly payment amount to LED was discounted to \$850 for the first three months and to \$1,125 for the second three-month period. Monthly payments of \$2,000 to LED shall commence on July 15, 2019.

Provided the principal amount of \$376,691 is paid in full under the terms of the agreement, LED shall waive all accrued interest on the principal amount.

### Note 10. Judgment Rendered

A final judgment has been rendered against the City in the amount of \$1,673,806 plus judicial interest in the aggregate for all salary, longevity pay, and overtime wages that the City failed to pay as required by law to firemen. The City is committed to pay the judgment when funds are available. The judgment amount has been recorded in the government-wide financial statements as long-term liabilities due in more than one year.

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Fund Balances

Inventory at year end is equally offset by an unexpendable fund balance amount in the General Fund under the purchase method.

Revenues collected by the Sewer Use Fee Fund are dedicated for repayment of funds borrowed for acquisition, construction, and improvements to the sewage and wastewater collection, treatment, and disposal systems; therefore fund balance is restricted. Likewise, fund balance of the Sales Tax Fund has been restricted or assigned as revenues collected by the fund are dedicated for debt repayment, maintaining, improving, repairing, and extending streets and related improvements.

### Note 12. Deferred Compensation Plan

The City offers all full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency except for a one-time withdrawal which is subject to certain restrictions.

All assets of the plan, including all deferred amounts, property, and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property, or rights, are held in a qualified trust, custodial account, or annuity contract for the exclusive benefit of the participants and beneficiaries. The assets are not subject to the claims of the City's creditors nor can they be used by the City for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

## NOTES TO FINANCIAL STATEMENTS

### Note 13. Pension Plans and Other Pension Liabilities

For the year ended June 30, 2019, the City paid retirement benefits of \$68,780 from the General Fund to firemen who were already receiving benefits prior to December 1981. In December 1981, active City firemen were accepted into the Firefighters' Retirement System of Louisiana.

The City's employees are provided with benefits through the following multiple-employer cost-sharing plans:

- Municipal Employees Retirement System (Plan A) ("MERS") provides retirement benefits to employees of all incorporated villages, towns, and cities within the state that do not have their own retirement system and have elected to become members of the system.
- Municipal Police Employees Retirement System ("MPERS") provides retirement benefits to municipal police officers.
- Firefighters' Retirement System ("FRS") provides retirement benefits to firefighters.

#### General Information About the Plans:

- MERS 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, with exceptions outlined in the Louisiana Revised Statutes. The City participates in Plan A and provides retirement benefits to any member of Plan A who was hired before January 1, 2013 meeting one of the following criteria:
  - Any age with 25 or more years of creditable service
  - Age 60 with a minimum of 10 years creditable service
  - Any age with 5 years of creditable service for disability benefits
  - Survivor's benefits require 5 years of creditable service at death of member
  - Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.



## NOTES TO FINANCIAL STATEMENTS

For members hired after January 1, 2013, benefits are provided to any member of Plan A meeting one of the following criteria:

- Age 67 with 7 or more years of creditable service
- Age 62 with 10 or more years of creditable service
- Age 55 with 30 or more years of creditable service
- Any age with 25 years of service, exclusive of military service and unused side leave, with an actuarially reduced early benefit.

Generally, the monthly retirement allowance for any member of Plan A consists of an amount equal to 3% of the member's monthly average final compensation times years of creditable service. Survivor, death, and disability benefits are also provided under the plan.

In lieu of terminating employment and accepting a service retirement allowance, any member 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 such period, employer contributions continue but employee contributions cease. Monthly benefits that the member would have received during the DROP period are paid into the DROP fund. Interest is earned when the member has completed DROP participation, based on the actual rate of return on the investments identified as DROP funds for the period. No cost-of-living increases are payable to participants until employment has been terminated for at least one full year.

For the year ended June 30, 2018, the actual employer contribution rate was 24.75%, determined actuarially. According to state statute, the contribution requirements for all employers are actuarially determined each year.

MERS receives ad valorem and state revenue sharing funds as employer contributions and those amounts are considered support from nonemployer contributing entities, but are not considered as special funding situations.

NOTES TO FINANCIAL STATEMENTS

The estimated real rate of return for each major asset class is as follows:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Expected Portfolio Real Rate of Return</u>
Public fixed income	35%	1.50%
Public equity	50%	2.20%
Alternatives	<u>15%</u>	<u>0.60%</u>
Totals	<u>100%</u>	4.30%
Inflation		<u>2.70%</u>
Expected arithmetic nominal return		<u>7.00%</u>

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 26.00% of annual covered payroll. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System under Plan A for the years ended June 30, 2019, 2018, and 2017 were \$333,189, \$334,515, and \$298,317, respectively, equal to the required contributions for each year.

- MPERS membership is mandatory for any full-time police officer employed by a municipality of the state and engaged in law enforcement, empowered to make arrests, provided that the officer is not required to pay Social Security, and otherwise meets statutory criteria. For members hired before January 1, 2013, the plan provides retirement benefits to any member who has:
  - 25 years of creditable service, or
  - 20 years of creditable service who has attained age 50, or
  - 12 years of service who has attained age 55, or
  - 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are 3 1/3 % of average final compensation (average monthly earnings during the highest 36 consecutive months) times the number of years' service, not to exceed 100% of final salary.

## NOTES TO FINANCIAL STATEMENTS

For members hired after January 1, 2013, benefits are based on the Hazardous Duty sub-plan or the Nonhazardous Duty sub-plan. Under the Hazardous Duty sub-plan, a member is eligible for benefits after:

- 25 years of creditable service at any age, or
- 12 years of creditable service at age 55.

Under the Nonhazardous Duty sub-plan, a member is eligible for benefits after:

- 30 years of creditable service at any age, or
- 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 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are 3% and 2.5%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months) times the number of years of creditable service, not to exceed 100% of final salary.

The plan also provides survivor, death, and disability benefits.

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible to retire may elect to participate in the DROP for up to three years and defer the receipt of benefits. During such period, both employer and employee contributions cease. Monthly benefits that the member would have received during the DROP period are paid into the DROP fund. Interest is earned when the member has completed DROP participation, based on the actual rate of return less one-half percentage point on the investments identified as DROP funds for the period. No cost-of-living increases are payable to participants until employment has been terminated for at least one full year.

Contributions by employers are actuarially determined by law, but cannot be less than 9% of compensation excluding overtime, but including state supplemental pay. For the year ended June 30, 2018, employer contributions were 30.75% and 33.25% for members whose earnable compensation is below the poverty guidelines.

MPERS plan also receives insurance premium tax monies appropriated by the state legislature as additional employer contributions and considered support from a nonemployer contributing entity, but not considered a special funding situation.

NOTES TO FINANCIAL STATEMENTS

The estimated real rate of return for each major asset class is as follows:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Expected Portfolio Real Rate of Return</u>
Public fixed income	22%	0.46%
Public equity	52%	3.58%
Alternatives	20%	1.07%
Other	<u>6%</u>	<u>0.17%</u>
Totals	<u>100%</u>	5.28%
Inflation		<u>2.75%</u>
Expected arithmetic nominal return		<u>8.03%</u>

Plan members are required by state statute to contribute 8.0% or 10.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 34.0% for Nonhazardous Duty employees and for Hazardous Duty employees. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City’s contributions to the System for the years ended June 30, 2019, 2018, and 2017 were \$254,824, \$263,083, and \$258,256, respectively, equal to the required contributions for each year.

- FRS membership is a condition of employment for any full-time firefighters who earn more than \$375 per month and are employed by any municipality, parish, or fire protection district, in addition to employees of the FRS. Persons must be under the age of 50 to be eligible for membership, unless they become members through merger.

Members are eligible for retirement benefits after:

- 12 years of creditable service at age 55, or
- 20 years of creditable service at age 50, or
- 25 years of creditable service at any age

The retirement allowance is equal to 3 1/3% of the member’s average final compensation times the years of creditable service, not to exceed 100% of average final compensation. Members may receive benefits as a life annuity, or at the member’s option, may receive a reduced benefit according to the option selected, which is the actuarial equivalent of the maximum benefit:

## NOTES TO FINANCIAL STATEMENTS

- Option 1 – If member dies before receiving in annuity payments the present value of member’s annuity as it was at retirement, the balance is paid to member’s beneficiary
- Option 2 – Upon retirement, member receives a reduced benefit. Upon member’s death, designated beneficiary will continue to receive the same reduced benefit.
- Option 3 – Upon retirement, member receives a reduced benefit. Upon member’s death, designated beneficiary will receive one-half of member’s reduced benefit.
- Option 4 – Upon retirement, member elects to receive a board-approved benefit payable to the member, the member’s spouse, or the member’s dependent child, which is actuarially equivalent to the maximum benefit.

An initial benefit option is available to regular retirees who have not participated in the DROP. Under this option, members may receive an initial benefit plus a reduced monthly retirement allowance which, when combined, equal the actuarially equivalent amount of the maximum retirement allowance. The initial benefit may not exceed an amount equal to 36 payments of the member’s maximum retirement allowance. The initial benefit can be paid either as a lump-sum payment or placed in an account called an “initial benefit account” with interest credited thereto and monthly payments made from the account. A member may also elect to receive a reduced benefit which provides for an automatic 2.5% annual compound increase in monthly benefits based on the reduced benefit and commencing on the later of age 55 or retirement anniversary; this cost-of-living-adjustment (“COLA”) is in addition to any ad hoc COLAs which are payable.

The plan also provides survivor, death, and disability benefits.

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible to retire may elect to participate in the DROP for up to three years and defer the receipt of benefits. During such period, both employer and employee contributions cease. Monthly benefits that the member would have received during the DROP period are paid into the DROP fund. Upon termination of employment at the end of the specified period of participation, a participant may receive, at the participant’s option, a lump sum payment from the account equal to the payments to the account, or a true annuity based upon the account, or may elect any other method of payment if approved by the board of trustees.

NOTES TO FINANCIAL STATEMENTS

Contributions to the plan are made by employers, employees and insurance premium taxes. The employee rate is set by statute, but cannot be less than 8% or more than 10% of compensation. The employer contributions are actuarially determined and subject to change each year. For the year ended June 30, 2018, employer contribution rates were 26.5% for employees above the poverty line and 28.5% for employees below the poverty line. Insurance premium taxes are allocated to the system based on available funds and statutory provisions.

The estimated real rate of return for each major asset class is as follows:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Expected Portfolio Real Rate of Return</u>
Public fixed income	26%	.46%
Public equity	54%	3.81%
Alternatives	10%	.61%
Other	<u>10%</u>	<u>.46%</u>
Totals	<u>100%</u>	5.34%
Inflation		<u>2.75%</u>
Expected arithmetic nominal return		<u>8.09%</u>

Plan members are required by state statute to contribute 10.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 26.5% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ended June 30, 2019, 2018, and 2017 were \$318,041, \$263,083, and \$297,017, respectively, equal to the required contributions for each year.

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

For the years ended June 30, the City reported its proportionate shares of the net pension liability of the plans as follows:

	<u>2019</u>	<u>2018</u>
MERS	\$ 3,093,298	\$ 3,055,178
MPERS	2,472,872	2,470,727
FRS	<u>2,921,653</u>	<u>2,884,226</u>
	<u>\$ 8,487,823</u>	<u>\$ 8,410,131</u>

NOTES TO FINANCIAL STATEMENTS

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on projections of the City's long-term share of contributions to the plans relative to the projected contributions of all participating employers, actuarially determined. For the years ended June 30, the City's proportionate shares of each plan were as follows:

	<u>2018</u>	<u>2017</u>
MERS	.75%	.73%
MPERS	.29%	.28%
FRS	.51%	.50%

For the years ended June 30, contributions by nonemployers were as follows:

	<u>2019</u>	<u>2018</u>
MERS	\$ 46,599	\$ 44,951
MPERS	57,722	54,026
FRS	<u>131,828</u>	<u>127,361</u>
	<u>\$ 236,149</u>	<u>\$ 226,338</u>

For the years ended June 30, the City recognized pension expense as follows:

	<u>2019</u>	<u>2018</u>
MERS	\$ 546,524	\$ 550,608
MPERS	314,175	230,542
FRS	<u>436,769</u>	<u>430,163</u>
	<u>\$ 1,297,468</u>	<u>\$ 1,211,313</u>

NOTES TO FINANCIAL STATEMENTS

In addition, for the years ended June 30, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>2019</u>	<u>MERS</u>	<u>MPERS</u>	<u>FRS</u>	<u>Totals</u>
Deferred outflows of resources:				
Changes in proportion	\$ 97,350	\$ 84,044	\$ 154,065	\$ 335,459
Changes in assumptions	93,118	161,601	203,814	458,533
Differences between expected and actual experience	-	11,148	-	11,148
Net difference between projected and actual earnings on pension plan investments	474,029	118,544	189,980	782,553
City's contributions subsequent to the measurement date	<u>333,189</u>	<u>255,176</u>	<u>317,943</u>	<u>906,308</u>
 Total deferred outflows of resources	 <u>\$ 997,686</u>	 <u>\$ 630,513</u>	 <u>\$ 865,802</u>	 <u>\$2,494,001</u>
Deferred inflows of resources:				
Changes in proportion	\$ -	\$ -	\$ 271,500	\$ 271,500
Differences between expected and actual experience	109,981	126,369	222,370	458,720
Changes in assumptions	<u>-</u>	<u>-</u>	<u>463</u>	<u>463</u>
 Total deferred inflows of resources	 <u>\$ 109,981</u>	 <u>\$ 126,369</u>	 <u>\$ 494,333</u>	 <u>\$ 730,683</u>



NOTES TO FINANCIAL STATEMENTS

<u>2018</u>	<u>MERS</u>	<u>MPERS</u>	<u>FRS</u>	<u>Totals</u>
Deferred outflows of resources:				
Changes in proportion	\$ 118,851	\$ 52,982	\$ 172,696	\$ 344,529
Changes in assumptions	51,085	175,806	120,634	347,525
Differences between expected and actual experience	-	16,178	-	16,178
Net difference between projected and actual earnings on pension plan investments	616,083	108,159	248,127	972,369
City's contributions subsequent to the measurement date	<u>337,566</u>	<u>264,607</u>	<u>320,464</u>	<u>922,637</u>
 Total deferred outflows of resources	 <u>\$1,123,585</u>	 <u>\$ 617,732</u>	 <u>\$ 861,921</u>	 <u>\$2,603,238</u>
Deferred inflows of resources:				
Changes in proportion	\$ 15,709	\$ 96,560	\$ 380,119	\$ 492,388
Differences between expected and actual experience	93,048	18,990	160,845	272,883
Changes in assumptions	<u>-</u>	<u>-</u>	<u>688</u>	<u>688</u>
 Total deferred inflows of resources	 <u>\$ 108,757</u>	 <u>\$ 115,550</u>	 <u>\$ 541,652</u>	 <u>\$ 765,959</u>

NOTES TO FINANCIAL STATEMENTS

The deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ 624,062
2021	260,479
2022	( 58,148)
2023	32,247
2024	( 6,454)
Thereafter	4,824

Actuarial Assumptions:

The total pension liabilities in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	<u>MERS</u>	<u>MPERS</u>	<u>FRS</u>
Inflation	2.60%	2.60%	2.70%
Salary increases	5.00%	vary from 9.75% for first two years of service to 4.25% after 23 years	vary from 15% for first two years of service to 4.75% after 25 years
Investment rate of return	7.28%	7.20%	7.30%
Actuarial cost method	entry age normal	entry age normal	entry age normal
Expected remaining service lives	3 years	4 years	7 years

Mortality rates for MERS were based on the RP-2000 Employee Table for active members, Healthy Annuitant Table for healthy annuitants, and Disabled Lives Mortality Tables for disabled annuitants. Mortality rate assumptions for the other plans were based on experience studies performed on plan data (for the period July 1, 2009 through June 30, 2014).

NOTES TO FINANCIAL STATEMENTS

The investment rates of return were determined based on expected cash flows which assume that contributions from plan members will be made at current contribution rates and that contributions from the City will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' Actuarial Committee (the "System"), taking into consideration the recommendation of the System's actuary. Based on these assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the investment rate of return on plan investments was applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Shares of the Net Pension Liabilities to Changes in the Discount Rate:

The following presents the City's proportionate shares of the net pension liabilities of the plans, calculated using the discount rates as shown above, as well as what the City's proportionate shares of the net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

<u>June 30, 2019</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
MERS (current rate 7.28%)	\$ 3,973,623	\$ 3,093,298	\$ 2,341,909
MPERS (current rate 7.20%)	3,475,070	2,472,872	1,632,067
FRS (current rate 7.30%)	<u>4,263,382</u>	<u>2,921,653</u>	<u>1,794,138</u>
Totals	<u>\$ 11,712,075</u>	<u>\$ 8,487,823</u>	<u>\$ 5,768,114</u>

<u>June 30, 2018</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
MERS (current rate 7.40%)	\$ 3,893,312	\$ 3,055,178	\$ 2,340,272
MPERS (current rate 7.33%)	3,413,548	2,470,727	1,679,769
FRS (current rate 7.40%)	<u>4,144,522</u>	<u>2,884,226</u>	<u>1,824,767</u>
Totals	<u>\$ 11,451,382</u>	<u>\$ 8,410,131</u>	<u>\$ 5,844,808</u>

Pension Plan Fiduciary Net Position:

Detailed information about the plans' fiduciary net position is available in the separately issued financial statements of the plans.

NOTES TO FINANCIAL STATEMENTS

Note 14. Postemployment Benefits Other than Pensions

Benefits and Contributions:

The City provides fully insured medical insurance coverage for current and retired employees (and eligible dependents). The plan does not issue a stand-alone financial report. Additionally, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*.

To be eligible to continue coverage under the City’s plan, an employee must retire from the City and receive or be eligible to receive retirement funds through Deferred Normal Retirement/Vesting or Disable Retirement from MERS, MPERS, or FRS.

The retirees are required to contribute a portion of the premium rate depending on the medical plan option.

Employees Covered by Benefit Terms:

As of June 30, 2019, 110 inactive employees and 115 active employees were currently receiving benefit payments.

Actuarial Assumptions and Other Inputs:

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

Actuarial valuation date	July 1, 2017
Inflation	2.40%
Salary increases	3.00%
Discount rate	3.13%
Prior year discount rate	3.62%
Health care cost trend rates	5.00% annually

The City pays the Freedom employee only rate plus \$100 of the monthly premium for the dependents. The retiree pays the difference. Surviving spouses are required to pay the full premium.

The discount rate was based on the June 30, 2019 Fidelity General Obligation AA 20-Year Yield.

## NOTES TO FINANCIAL STATEMENTS

Mortality rates for active employees were based on the PubG.H-2010 Employee mortality table, Generational with Projection Scale MP-2018 for males or females, as appropriate.

Mortality rates for retirees were based on the PubG.H-2010 Healthy Annuitant mortality table, Generational with Projection Scale MP-2018 for males or females, as appropriate.

### Changes in Total OPEB Liability:

Balance - June 30, 2018	<u>\$ 13,737,288</u>
Changes for the year:	
Service cost	\$ 318,552
Interest	429,970
Difference between actual and expected experience	156,730
Changes in assumptions/inputs	961,677
Benefit payments	<u>( 663,881)</u>
Net changes	<u>\$ 1,203,048</u>
 Balance - June 30, 2019	 <u>\$ 14,940,336</u>

For the year ended June 30, 2019, the covered employee payroll was \$3,066,212 and the total OPEB liability as a percentage of covered employee payroll was 487.3%.

### Sensitivity of Total OPEB Liability:

	<u>1% Decrease</u>	<u>No Change</u>	<u>1% Increase</u>
Discount rate	\$17,004,504	\$14,940,336	\$13,244,018
Healthcare cost trend rates	\$12,923,665	\$ 14,940,336	\$17,464,320

### OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB:

OPEB expense:	
Service cost	\$ 318,552
Interest	429,970
Difference between actual and expected experience	85,027
Changes in assumptions/inputs	<u>320,559</u>
 Total OPEB expense	 <u>\$ 1,154,108</u>

NOTES TO FINANCIAL STATEMENTS

Deferred outflows and inflows:

	<u>Outflows</u>	<u>Inflows</u>
Difference between actual and expected experience	\$ 137,270	\$ -
Changes of assumptions or other inputs	641,118	-
Total deferred outflows and inflows	\$ 778,388	\$ -

Amounts reported and deferred outflows of resources and deferred inflows of resources related to OPEB expense will be recognized in OPEB expense in the years ended June 30, 2020 and 2021 as \$405,586 and \$372,802, respectively.

Note 15. Operating Leases

As of June 30, 2019, the City had entered into four equipment operating leases having initial or remaining noncancellable terms in excess of one year. The minimum annual commitment to be paid from the General Fund under the leases is not considered material to disclose.

The City made payments of \$18,976 from the General Fund during the year ended June 30, 2019 under operating leases.

Note 16. Agreement for Operations, Maintenance, and Management Services

An agreement was entered into between the City and Veolia Water North America - South LLC (“Veolia”) on December 20, 2012, for five successive, one-year terms, commencing July 1, 2012 for Veolia to operate, maintain, and manage services of the City’s wastewater and related treatment facilities. Veolia’s compensation under this agreement consists of an annual fee that will be negotiated each year and the maintenance and repair limit fee that will be trued-up on a quarterly basis. One-twelfth of the annual fee shall be due and payable on the first of each month that services are provided while all other compensation to Veolia is due upon receipt of Veolia’s invoice. The annual fee paid by the City to Veolia for the fiscal year ended June 30, 2018 was \$1,102,301.

On June 14, 2018, the agreement was amended to extend the contract for one year with a 3.0% increase in only the annual fee and any increase waived for the additional maintenance and repair limit fee. All other terms of the agreement remain unmodified and in full force and effect. The annual fee paid by the City to Veolia for the fiscal year ended June 30, 2019 was \$1,305,487.

The agreement was again amended on May 29, 2019 to extend the contract for one year with a 3% increase in the annual fee and a 2% increase in the additional maintenance and repair limit fee.

## NOTES TO FINANCIAL STATEMENTS

### Note 17. Cooperative Endeavor Agreements

On September 11, 2013, the City and Bastrop Area Fire Protection District No. 2 (the "District") entered into a cooperative endeavor agreement effective July 1, 2013 and expiring June 30, 2015 for the City to defray the expenses or costs associated with furnishing fire protection to the citizens of the District.

During the first year of the contract, the District agreed to pay the City \$800,000. Additional amounts as may be necessary to cover the actual costs incurred by the City will be negotiated at least annually (and more often, if required) on or before the first Wednesday in June of each year. The contract was renewed for another two years with the same terms effective July 1, 2015 and then again effective July 1, 2017.

### Note 18. Contingencies and Risk Management

Other than discussed in Note 10, as of the date of this report, there were no pending or threatening litigation suits involving the City.

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 carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2019 may be impaired. In the opinion of City management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

### Note 19. Subsequent Event (unaudited)

The State Bond Commission, State of Louisiana, approved on September 9, 2019 the City incurring debt and issuing not to exceed \$700,000 revenue anticipation notes for the purpose of paying current expenses and to pay the costs incurred in connection with the issuance of the notes. The proceeds of the notes were deposited by the City on October 24, 2019. The notes mature with interest thereon not to exceed 3.21% per annum no later than March 1, 2020.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)



CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND

As of and for the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 8,930,120	\$ 7,824,591	\$ 7,826,630	\$ 2,039
Licenses and permits	476,182	466,388	456,937	( 9,451)
Intergovernmental	4,583,955	1,600,346	1,668,133	67,787
Fees, charges, and commission for services	317,368	453,216	476,084	22,868
Fines and forfeitures	69,000	66,356	64,577	( 1,779)
Interest and miscellaneous	382,250	419,313	416,851	( 2,462)
Total revenues	<u>\$ 14,758,875</u>	<u>\$ 10,830,210</u>	<u>\$ 10,909,212</u>	<u>\$ ( 79,002)</u>
Expenditures:				
Current:				
General government	\$ 4,805,453	\$ 4,058,664	\$ 2,914,333	\$ 1,144,331
Public safety	5,916,000	5,370,927	5,077,742	293,185
Public works	1,924,389	1,674,683	1,672,688	1,995
Sanitation	1,306,547	1,565,529	1,471,217	94,312
Economic development	10,000	10,000	10,000	-
Debt service:				
Principal	-	-	1,126,563	( 1,126,563)
Interest and fiscal charges	-	-	19,068	( 19,068)
Capital outlay	-	-	240,186	( 240,186)
Total expenditures	<u>\$ 13,962,389</u>	<u>\$ 12,679,803</u>	<u>\$ 12,531,797</u>	<u>\$ 148,006</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GOVERNMENTAL FUND -

GENERAL FUND (Continued)

As of and for the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Excess (deficiency) of revenues over expenditures	\$ 796,486	\$( 1,849,593)	\$( 1,622,585)	\$ 227,008
Other financing sources:				
Sale of fixed assets	\$ 12,000	\$ -	\$ -	\$ -
Revenue anticipation note proceeds	<u>1,500,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>
Total other financing sources	<u>\$ 1,512,000</u>	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ -</u>
Net change in fund balance	\$ 2,308,486	\$( 749,593)	\$( 522,585)	\$ 227,008
Fund balance - beginning	<u>3,821,474</u>	<u>3,803,406</u>	<u>3,803,406</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,129,960</u>	<u>\$ 3,053,813</u>	<u>\$ 3,280,821</u>	<u>\$ 227,008</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GOVERNMENTAL FUND - SEWER USE FEE FUND

As of and for the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fees, charges, and commissions for services	\$ 1,022,000	\$ 1,122,029	\$ 1,122,859	\$ 830
Interest and miscellaneous	3,500	38,427	42,295	3,868
Total revenues	<u>\$ 1,025,500</u>	<u>\$ 1,160,456</u>	<u>\$ 1,165,154</u>	<u>\$ 4,698</u>
Expenditures:				
Current:				
Sanitation	\$ 123,796	\$ 132,039	\$ 130,057	\$ 1,982
Debt service:				
Principal	69,700	404,265	210,000	194,265
Interest and fiscal charges	-	-	124,265	( 124,265)
Capital outlay	156,000	60,628	61,573	( 945)
Total expenditures	<u>\$ 349,496</u>	<u>\$ 596,932</u>	<u>\$ 525,895</u>	<u>\$ 71,037</u>
Net change in fund balance	\$ 676,004	\$ 563,524	\$ 639,259	\$ 75,735
Fund balance - beginning	<u>3,854,854</u>	<u>4,133,960</u>	<u>4,133,958</u>	<u>( 2)</u>
Fund balance - ending	<u>\$ 4,530,858</u>	<u>\$ 4,697,484</u>	<u>\$ 4,773,217</u>	<u>\$ 75,733</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GOVERNMENTAL FUND - SALES TAX FUND

As of and for the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 930,000	\$ 923,335	\$ 923,746	\$ 411
Interest and miscellaneous	10,200	18,428	18,583	155
Total revenues	<u>\$ 940,200</u>	<u>\$ 941,763</u>	<u>\$ 942,329</u>	<u>\$ 566</u>
Expenditures:				
Current:				
Public works	\$ 366,531	\$ 437,256	\$ 385,257	\$ 51,999
Debt service:				
Principal	614,843	628,598	556,680	71,918
Interest and fiscal charges	-	-	98,643	( 98,643)
Capital outlay	127,480	78,052	51,733	26,319
Total expenditures	<u>\$ 1,108,854</u>	<u>\$ 1,143,906</u>	<u>\$ 1,092,313</u>	<u>\$ 51,593</u>
Net change in fund balance	\$( 168,654)	\$( 202,143)	\$( 149,984)	\$ 52,159
Fund balance - beginning	<u>5,094,767</u>	<u>5,021,748</u>	<u>5,021,748</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,926,113</u>	<u>\$ 4,819,605</u>	<u>\$ 4,871,764</u>	<u>\$ 52,159</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
Last Ten Fiscal Years

	<u>Year Ended June 30,</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>MERS:</b>					
Proportion of net pension liability	0.75%	0.73%	0.69%	0.69%	0.72%
Proportionate share of net pension liability	\$ 3,093,298	\$ 3,055,178	\$ 2,760,830	\$ 2,462,877	\$ 1,839,348
Covered employees' payroll	\$ 1,363,902	\$ 1,323,556	\$ 1,191,340	\$ 1,169,721	\$ 1,202,986
Proportionate share of net pension liability as a percentage of covered employees' payroll	226.80%	230.83%	231.74%	210.55%	152.90%
Plan fiduciary net position as a percentage of total pension liability	63.94%	62.49%	62.11%	66.18%	75.45%
<b>MPERS:</b>					
Proportion of net pension liability	0.29%	0.28%	0.28%	0.27%	0.32%
Proportionate share of net pension liability	\$ 2,472,872	\$ 2,470,727	\$ 2,628,944	\$ 2,116,084	\$ 2,000,320
Covered employees' payroll	\$ 860,508	\$ 842,231	\$ 782,139	\$ 722,533	\$ 847,895
Proportionate share of net pension liability as a percentage of covered employees' payroll	287.37%	293.36%	336.12%	292.87%	253.92%
Plan fiduciary net position as a percentage of total pension liability	71.89%	70.08%	66.04%	70.73%	75.10%

CITY OF BASTROP, LOUISIANA

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (Continued)  
Last Ten Fiscal Years

	<u>Year Ended June 30,</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
MERS:					
Proportion of net pension liability	0.51%	0.50%	0.53%	0.51%	0.47%
Proportionate share of net pension liability	\$ 2,921,653	\$ 2,884,226	\$ 3,451,419	\$ 2,758,961	\$ 2,095,869
Covered employees' payroll	\$ 1,209,298	\$ 1,176,334	\$ 1,183,572	\$ 1,086,380	\$ 963,303
Proportionate share of net pension liability as a percentage of covered employees' payroll	241.60%	245.19%	291.61%	253.96%	217.57%
Plan fiduciary net position as a percentage of total pension liability	74.76%	73.55%	68.16%	72.45%	76.02%

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CITY OF BASTROP, LOUISIANA

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years

	<u>Year Ended June 30,</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
MERS:					
Contractually required contribution	\$ 337,566	\$ 301,049	\$ 237,643	\$ 232,408	\$ 225,768
Contributions in relation to contractually required contribution	<u>337,566</u>	<u>301,049</u>	<u>237,643</u>	<u>232,408</u>	<u>225,768</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 1,363,902	\$ 1,323,556	\$ 1,191,340	\$ 1,169,721	\$ 1,202,986
Contribution as a percentage of covered employees' payroll	24.75%	22.75%	19.95%	19.87%	18.77%
MPERS:					
Contractually required contribution	\$ 264,607	\$ 268,240	\$ 231,782	\$ 227,601	\$ 263,017
Contributions in relation to contractually required contribution	<u>264,607</u>	<u>268,240</u>	<u>231,782</u>	<u>227,601</u>	<u>263,017</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 860,508	\$ 842,231	\$ 782,139	\$ 722,533	\$ 847,895
Contribution as a percentage of covered employees' payroll	30.75%	31.85%	29.63%	31.50%	31.02%

CITY OF BASTROP, LOUISIANA

SCHEDULE OF CONTRIBUTIONS (Continued)  
Last Ten Fiscal Years

	<u>Year Ended June 30,</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
FRS:					
Contractually required contribution	\$ 320,464	\$ 296,781	\$ 324,213	\$ 317,766	\$ 272,133
Contributions in relation to contractually required contribution	<u>320,464</u>	<u>296,781</u>	<u>324,213</u>	<u>317,766</u>	<u>272,133</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 1,209,298	\$ 1,176,334	\$ 1,183,572	\$ 1,086,380	\$ 963,303
Contribution as a percentage of covered employees' payroll	26.50%	25.23%	27.39%	29.25%	28.25%

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CITY OF BASTROP, LOUISIANA

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
June 30, 2019

Total OPEB liability:

Service cost	\$ 318,552
Interest	429,970
Differences between actual and expected experience	156,730
Changes in assumptions/inputs	961,677
Benefit payments	<u>( 663,881)</u>
Net change in total OPEB liability	\$ 1,203,048
Total OPEB liability - beginning	<u>13,737,288</u>
Total OPEB liability - ending	<u>\$ 14,940,336</u>
Covered employee payroll	\$ 3,066,212
Total OPEB liability as a percentage of covered employee payroll	487.3%

Notes to schedule:

There were no changes of benefit terms.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

3.13% is the discount rate used in 2019.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BASTROP, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION

As of and for the Year Ended June 30, 2019

The schedule of compensation paid to the mayor and aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the mayor and aldermen is included in the general administrative expenditures of the General Fund. The mayor and aldermen receive compensation pursuant to Louisiana Revised Statute 404.1.

Henry C. Cotton, Mayor	\$ 74,006
Robert Shaw, Alderman	10,291
Larry D. Prater, Alderman	10,291
Darry D. Green, Jr., Alderman	10,291
Howard D. Loche, Alderman	10,291
Marvin M. Moore, Alderman	<u>10,291</u>
Total mayor's and aldermen's compensation	<u>\$ 125,461</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS,  
AND OTHER PAYMENTS TO AGENCY HEAD

As of and For the Year Ended June 30, 2019

Agency Head Name: Henry C. Cotton, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 74,006
Auto allowance	7,200
Insurance	2,809
Retirement	<u>21,114</u>
Total compensation, benefits, and other payments to agency head	<u>\$ 105,129</u>

# HILL, INZINA & COMPANY

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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 Henry C. Cotton, Mayor,  
and Members of the Board of Aldermen  
City of Bastrop, 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 and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2019.

## Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that are described in the accompanying schedule of findings and questioned costs as items 2019-1 and 2019-2 that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-3, 2019-4, 2019-5, and 2019-6.

### City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### 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.

This report is intended solely for the information and use of management, the council members, others within the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by Louisiana Legislative Auditor as a public document.

/s/ Hill, Inzina & Co.

December 10, 2019

CITY OF BASTROP, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

As of and for the Year Ended June 30, 2019

We have audited the financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2019, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 10, 2019. 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. Our audit of the financial statements as of June 30, 2019 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

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*

Internal Control

Significant Deficiencies  Yes  No      Material Weaknesses  Yes  No

Compliance

Material to Financial Statements  Yes  No

Section II - Financial Statement Findings

2019-1      Inadequate Segregation of Duties (initially cited in fiscal year ended June 30, 1985)

Criteria:      Local governments typically use the Green Book as a model for internal control.

Paragraph 10.13 of the Green Book reads in part, "Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk".

Condition: The performance of our audit procedures included (1) observance of management and employees; (2) inquiries of elected officials, management, employees, and citizens; and (3) tests of transactions.

Evidence obtained from these procedures indicated the following specific issues:

- Possible management override of controls
- Overall lack of adequate communication between officials, departments, and employees
- Lack of monitoring procedures.

Cause: The cause of the conditions were not definitely identified.

Effect: The environment may result in the City having a higher risk of errors, fraud, waste, and abuse. Poor communication limits the ability of employees to perform their assigned duties. Transactions may lack proper authorization or documentation of authorization. State laws and regulations along with the City's policies may be violated.

Recommendation: Specifically, management should make an effort to ensure that the City's internal control system is properly designed, implemented, and monitored.

Management's response and planned corrective action: (See following documents.)



2019-2 Personnel Related Policies and Issues (initially cited in fiscal year ended June 30, 2016)

Criteria: Payroll is generally the largest expenditure of a governmental agency. Therefore, it is important that controls over payroll are in place and working properly. Good controls should include compliance with the City's written policies and procedures, curtailing excessive payroll related costs, and compliance with Article VII, Section 14 of the 1974 Louisiana State Constitution.

Condition: 1) In various pay periods during the years ended June 30, 2019, 2018, and 2017, some employees did not work sufficient hours per week to be considered full-time and to qualify for retirement, health insurance, and leave time but such benefits were paid on the employees' behalf.

2) 21% of compensatory time earned by two public works department heads during the year ended June 30, 2019 was not documented as to the purpose of the extra hours worked. 22% of the same compensatory forms examined, that had explanation of the duties performed, had no detail as to each day's specific activities requiring extra hours to be worked. 16% of the compensatory forms for hours worked or used by the same department heads were not dated by the party approving the form by signature.

3) As of June 30, 2019, three department heads had accumulated compensatory hours of 1,839. If these employees were to have left employment of the City as of June 30, 2019, the City would have been obligated to pay approximately \$28,249 of extra wages to these three employees (43% of compensatory pay earned by all employees as of June 30, 2019).

Cause: 1) Management of the City has allowed employees to continuously work less than sufficient hours to be considered full-time and continues to pay the personal benefits of each employee as if actually working full-time. The Mayor has been requested by the clerk on several occasions to personally address this matter with each employee that is working insufficient hours.

2) Employees have been allowed to earn time for extra hours worked without proper and complete documentation.

3) Management of the City has not adopted a formal policy limiting the maximum number of compensatory hours that may be accumulated.

Effect: 1) The City is paying benefits on behalf of ineligible employees which is in violation of Article VII, Section 14.

2) The City's management is noncompliant with adopted policies and procedures related to overtime documentation and approval.

3) The City is exposed to possibly paying large amounts of accumulated compensatory time upon an employee leaving the employment of the City.

Recommendations: 1) The Mayor should address this matter with each employee as has previously been requested by the clerk, whose office is responsible for paying the affected employees and their benefits.

2) Strict adherence should be mandated to comply with the City's current adopted policies and procedures relative to documentation and approval of compensatory time.

1 and 3) The clerk has provided proposed revisions to the personnel policy on three separate occasions to the Mayor for his approval with the original request being made on May 31, 2019. The proposed revisions would address the above issues but as of the date of this report, the Mayor has not approved.

Management's  
response and  
planned cor-  
rective action:

(See following documents.)

2019-3 Ethics Violations (initially cited in fiscal year ended June 30, 2018)

Criteria: The City has adopted a formal ethics policy to ensure:

- a) the public confidence on the integrity of government,
- b) the independence and impartiality of elected officials and public employees,
- c) that governmental decisions and policy are made in the proper channel of the government structure, and
- d) that public office and employment are not used for private gain.

The policy requires every employee of the City to complete one hour of ethics training annually.

Condition: 1) When the Mayor and aldermen were requested by the City's clerk to report, in writing, their sources of employment or outside business interests during the fiscal year ended June 30, 2019, one alderman responded "N/A". For the fiscal year ended June 30, 2018, this same alderman reported no sources of employment or outside business interests.

2) The Clerk did not have written certification that the Mayor and the above mentioned alderman took the required 2018 ethics training. When requested by the Clerk, the Mayor's office contacted the state ethics board and they also did not have record of either the Mayor or the above mentioned alderman taking the training.

3) As detailed in 2) of 2019-4 below, City employees were not assessed fees or employees authorized no fees be charged to rent the City-owned properties.

Cause: 1) The City's clerk requested written confirmation of the sources of employment or outside business interest of each elected official and this one alderman's written responses were not clear and incomplete.

2) The Mayor and alderman apparently failed to obtain and retain written certification.

3) Employees of the City and/or organizations, which they have business interest and are publicly associated, were allowed the use of City owned property at no charge.

Effect:

- 1) The management of the City could not verify that business was not transacted with the alderman's employer or business interests in either year.
- 2) The Mayor and alderman have been instructed by the state ethics board to correspond with its office concerning the matter of not completing the annual one-hour training required by the City.
- 3) These instances may be potential violations of the Code of Government Ethics.

Recommendation:

- 1) The City should require all employees to confirm annually the sources of employment or outside business interest.
- 2) The City should require every employee to provide annually written certification attesting to their compliance with the City's ethics policy and to ethics training.
- 3) Employees should be made aware of the possible violations and pay fees for the personal use of City owned property.

Management's  
response and  
planned cor-  
rective action:

(See following documents.)

2019-4 Violation of Article VII, Section 14 of the Louisiana Constitution of 1974 (initially cited in fiscal year ended June 30, 2018)

Criteria: Article VII, Section 14 provides that funds, credit, property, or things of value of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporations.

Condition: 1) As of June 30, 2019, \$42,273 was owed the City by the City Marshal's office for salary reimbursements dating back to August 2015.

Also owed the City as of the same date were property taxes, some delinquent as far back as the 2011 tax levy. Occupational licenses were delinquent for some businesses back to 2016.

2) No fees were assessed to outside parties and employees of the City on 24 contracts examined for rental of the City's municipal center or technology center. The Mayor approved 42% of the 24 contracts with no charges. Two of the contracts with no fees charged were not signed by the City's employee approving while another two of the 24 contracts with no charges were made directly with employees of the City.

A test prep program, mentioned on the Mayor's personal social media, was allowed to utilize one of the City-owned properties at no cost for five days. The contract was one of the 24 mentioned above and also was one of the contracts with no charges approved by the Mayor. A cooperative endeavor agreement was not signed between the program and the City.

The Mayor and a company, of which he confirmed a business interest and is publicly associated, used one of the City-owned properties without a contract and with no fees being assessed. The event was not even listed on the calendar used by City employees to maintain rental scheduling, deposits, refunds, etc.

It also was not determined if the company's mission was compatible with the City's.

3) Public works employees were allowed to earn two hours minimum compensatory time when "called out" before or after normal work day hours.

Cause: 1) Sufficient effort is not being made by the City's administration to collect delinquent accounts. Current and previous administrations of the City have not encouraged the City's legal counsel to be proactive in the collection process (i.e., closing businesses, filing suits, etc.).

2) All rental fees due to the City are not being assessed and collected.

3) Management of the City is not requiring public works department heads and employees under their supervision to adhere to the City's current policies. The City's policy concerning compensatory time allows only for it to be earned hour for hour. The policy makes no mention as to a minimum amount being earned.

Effect: All of these conditions are in violation of Article VII, Section 14 and may result in losses of assets. The Louisiana Attorney General has noted that payment for hours not actually worked may constitute a criminal violation of the Public Payroll Fraud Statute (R.S. 14:138).

Recommendation: 1) Delinquent accounts should be pursued vigorously for payment. A formal collection policy should be adopted.

2) Section 14 and related statutes should be reviewed by the City's legal counsel, management, and department heads.

3) The proposed revisions to the City's personnel policy mentioned in the third paragraph of the "Recommendations" to 2019-2 should be reviewed to include any necessary changes regarding compensatory time.

Management's response and planned corrective action: (See following documents.)

2019-5 Evidence Room (initial citing)

- Criteria: The Bastrop Police Department has a policy to secure all evidence for analysis and/or eventual presentation at trial. The policy states that it is absolutely essential that officers strictly adhere to the procedures so the integrity of evidence will be maintained.
- Condition: On May 9, 2019, a sergeant of the Bastrop Police Department arrested a juvenile for possession of a stolen handgun. The handgun was recovered and placed into a patrol captain's desk and not properly into evidence. The handgun went missing and the Bastrop Police Department was unable to locate. The original owner of the handgun contacted the Bastrop Police Department for the return of the weapon stating that the handgun was purchased about two years previously for over \$400. The City reimbursed the original owner \$420 on July 9, 2019.
- Cause: The officers did not adhere to the department's evidence policies.
- Effect: An item relevant to a possible criminal case was stolen, lost, or disposed of improperly and cost the City \$420.
- Recommendation: Strict adherence to policies in place must be enforced.
- Management's response and planned corrective action: (See following documents.)

2019-6 Violation of State Statutes (initially cited in fiscal year ended June 30, 2018)

Criteria: Pursuant to Louisiana Revised Statutes 24:513 and 24:514, all annual audits must be completed and submitted to the Legislative Auditor within six months of the close of the auditee's fiscal year.

Condition: The City's annual audit for the fiscal year ended June 30, 2019 was not submitted to the Legislative Auditor within six months of the end of the fiscal year.

Cause: Management's responses and planned corrective actions were not provided to the auditor on or before December 31, 2019 for inclusion in the report.

Effect: The City is in violation of the statutes.

Recommendation: Management's responses and planned corrective actions should be provided in a timely manner allowing completion and submission of the annual audit.

Management's response and planned corrective action: (See following documents.)

Section III - Management Letter

None issued.



CITY OF BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

As of and for the Year Ended June 30, 2019

Section II - Financial Statements Findings

2018-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to a proper internal control structure.

Unresolved - 2019-1.

2018-2 Personnel Related Policies and Issues

It is important that controls over payroll are in place and working properly.

Unresolved - 2019-2.

2018-3 Ethics Violations

One alderman reported no sources of employment or outside business interests.

A resolution was adopted authorizing the Mayor to retain the professional services of the daughter of the public works department head.

Unresolved - 2019-3.

2018-4 Violation of Article VII, Section 14 of State Constitution

City Marshal's office owed City while property taxes were unpaid along with occupational licenses.

Unresolved - 2019-4.

2018-5 Violation of City's Ordinance

Alcohol was served at a City-owned park in violation of of a City ordinance.

No longer applicable.

2018-6 Violation of Bastrop Police Department Policies and Procedures

There were violations of sick leave policies of the Bastrop Police Department and other policies of the local Civil Service Board.

Unresolved - 2019-5.

2018-7 Violation of State Statues

All annual audits must be completed and submitted to the Legislative Auditor within six months of the close of the auditee's fiscal year.

Unresolved - 2019-6.

Section III - Management Letter

None issued.



*Office of the Mayor*

*Post Office Box 431*

*Bastrop, Louisiana 71221-0431*

*Fax: 318-281-5783*

*mayorhenrycotton@cityofbastrop.com*

*Phone: 318-283-3301*

**CITY OF SPIRIT, PRIDE AND PROGRESS**

**HENRY C. COTTON  
MAYOR**

HENRY C. COTTON  
MAYOR

May 29, 2020

Legislative Audit Advisory Council  
Mr. Daryl G. Purpera  
Legislative Auditor & Director of Advisory Council  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Re: Audit Report, City of Bastrop Fiscal Year Ending June 30, 2019

Dear Mr. Purpera:

Please find the City of Bastrop's response to the Audit Report referenced above.

I trust the information provided fulfills your requirements as mandated by state law.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Henry C. Cotton".

Honorable Henry C. Cotton - Mayor

Enclosure: Responses

2018-2019 Audit Report Responses:

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

As of and for the Year Ended June 30, 2019

1.5" margin

We have audited the financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2019, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 10, 2019. 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. Our audit of the financial statements as of June 30, 2019 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

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*

Internal Control

Significant Deficiencies : 9 Yes : No                      Material Weaknesses : Yes 9 No

Compliance

Material to Financial Statements : Yes 9 No

Section II - Financial Statement Findings

2019-1      Inadequate Segregation of Duties (initially cited in fiscal year ended June 30, 1985)

Criteria: Local governments typically use the Green Book as a model for internal control.

Paragraph 10.13 of the Green Book reads in part, "Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override.

Management override circumvents existing control activities and increases fraud risk".

Condition: The performance of our audit procedures included (1) observance of management and employees; (2) inquiries of elected officials, management, employees, and citizens; and (3) tests of transactions.

Evidence obtained from these procedures indicated the following specific issues:

- Possible management override of controls
- Overall lack of adequate communication between officials, departments, and employees
- Lack of monitoring procedures.

Cause: The causes of the conditions were not definitely identified.

Effect: The environment may result in the City having a higher risk of errors, fraud, waste, and abuse. Poor communication limits the ability of employees to perform their assigned duties. Transactions may lack proper authorization or documentation of authorization. State laws and regulations along with the City's policies may be violated.

Recommendation: Specifically, management should make an effort to ensure that the City's internal control system is properly designed, implemented, and monitored. Management's response and planned corrective action:

**We concur** with the finding.

The City makes every attempt to comply with the segregation of duties. Budgetary constraints will not allow for complete segregation of duties and responsibilities in all areas of operations. The City does have goals for more division of responsibilities and separation of duties that would insure greater fiscal accountability as well as protect individual rights as required by local, state and federal laws.



- Criteria: Payroll is generally the largest expenditure of a governmental agency. Therefore, it is important that controls over payroll are in place and working properly. Good controls should include compliance with the City's written policies and procedures, curtailing excessive payroll related costs, and compliance with Article VII, Section 14 of the 1974 Louisiana State Constitution.
- Condition:
- 1) In various pay periods during the years ended June 30, 2019, 2018, and 2017, some employees did not work sufficient hours per week to be considered full-time and to qualify for retirement, health insurance, and leave time but such benefits were paid on the employees' behalf.
  - 2) 21% of compensatory time earned by two public works department heads during the year ended June 30, 2019 was not documented as to the purpose of the extra hours worked. 22% of the same compensatory forms examined, that had explanation of the duties performed, had no detail as to each day's specific activities requiring extra hours to be worked. 16% of the compensatory forms for hours worked or used by the same department heads were not dated by the party approving the form by signature.
  - 3) As of June 30, 2019, three department heads had accumulated compensatory hours of 1,839. If these employees were to have left employment of the City as of June 30, 2019, the City would have been obligated to pay approximately \$28,249 of extra wages to these three employees (43% of compensatory pay earned by all employees as of June 30, 2019).
- Cause:
- 1) Management of the City has allowed employees to continuously work less than sufficient hours to be considered full-time and continues to pay the personal benefits of each employee as if actually working full-time. The Mayor has been requested by the clerk on several occasions to personally address this matter with each employee that is working insufficient hours.
  - 2) Employees have been allowed to earn time for extra hours worked without proper and complete documentation.
  - 3) Management of the City has not adopted a formal policy limiting the maximum number of compensatory hours that may be accumulated.

Effect: 1) The City is paying benefits on behalf of ineligible employees which is in violation of Article VII, Section 14.

2)The City’s management is noncompliant with adopted policies and procedures related to overtime documentation and approval.

3)The City is exposed to possibly paying large amounts of accumulated compensatory time upon an employee leaving the employment of the City.

Recommendations: 1) The Mayor should address this matter with each employee as previously requested by the clerk, whose office is responsible for paying the affected employees and their benefits.

2) Strict adherence should be mandated to comply with the City’s current adopted policies and procedures relative to documentation and approval of compensatory time.

1 and 3) The clerk has provided proposed revisions to the personnel policy on three separate occasions to the Mayor for his approval with the original request being made on May 31, 2019. The proposed revisions would address the above issues but as of the date of this report, the Mayor has not approved.

Management’s response and planned corrective action:

**We concur** with the finding that the condition has existed and that it has taken an extended period of time to rectify.

**1.** The Mayor agrees that part-time employees should not be allowed to receive benefits that are only available for full-time employees.

The Mayor was made aware of this condition in October 2018. The Mayor followed up during FY-2019 to complete corrective action with these several employees. As stated in last year’s response: “most all these employees have been working for the City of Bastrop for many years” and all, to the Mayor’s knowledge, were performing work related task at a satisfactory level during the hours that they were at work. Of the approximately five employees who met this condition (not working at or above 32 hours per week on a consistent basis) only two employees are currently employed by the city. Only one of the two employees have not consistently achieved a minimum of 32 hours per week. The Mayor met with this lone employee who claimed extraordinary circumstances which causes periodic lapses in fulfilling the minimum 32 hours, and inability to work the standard 8 a.m. to 5 p.m. standard workday because of a chronic health issue.

Because benefits are provided to employees to help agencies maintain a productive, stable workforce. The Mayor has always been willing to strictly adhere to the policy that disqualifies this (these) critical employee(s) from receiving fulltime benefits upon the immediate supervisors confirmation that the workplace can be maintained in as productive and stable manner should the employee resign upon being classified as part time with the loss of benefits. As a special note: The Mayor feels that the loss of this employee will negatively affect the city’s ability to achieve the current level of segregation of duties essential to the proper internal control structure. The mayor based this conclusion upon the employees claim to a skillset unique to the department as well as overlapping skillset that serves as a backup to other department team members.

Based upon extremely poor attendance and lack of productivity evidence of the recent period, since the Mayor’s interview with said employee, the Mayor



has signed the reclassification documentation designating the employee as part time

**2.**

The Mayor expects the public works department to have at least one third of the compensatory time earned by city employees. Of the compensatory time earned by the public works department, the Mayor expects the two department heads to accrue a substantial percentage of that comp time simply because rank and file public works department employees are generally paid overtime as the extra hours work is accrued. Unlike department heads referred to above, rank and file public works employees receive full pay for regular hours as well as overtime hours during the current pay period. Furthermore, extra hours worked by the two department heads is not without source documentation. The Mayor has not seen evidence of this condition and would ask the auditor to provide these specific documents that were reviewed. Upon receiving such documents, the Mayor has every confidence that other root source documentation exist that would easily provide an audit trail confirming the fact that all compensatory time earned by two public works department heads can be readily accessed to support the all comp time forms.

As examples of additional documentation that is available upon request are: photographs that are time stamped are required for every after-hour callout by public works employees. These photographs are encoded with metadata which provides date, time, and GPS location for each work incident, the majority of public works after hour callouts originate through the Bastrop Police Department. Even though the police department does not provide public works with an incident number for these callouts, the call record still exists as an ultimate callout initiation source document.

Going forward, the Mayor has directed and will ensure that all comp time forms will have a full explanation of the work performed, as well as sufficient detail for each specific incident requiring extra hours to be worked.

**3.**

As expressed within FY2018's Mayor's response, the two public works department heads each worked 30 hours per week. Neither of the two department heads received any employee benefits e.g. municipal retirement, vacation pay, or personal time off. The Mayor feels that because each public works department head did not work fulltime, they were not entitled to compensatory pay (pay after 40 hours per week) their time that was classified as comp time should have been considered as deferred pay. This deferred pay should have been paid at regular pay up to the 40 hours per week as the Fair Labor Standards Act requires. The 10-hour difference between 40 full time hours and the actual 30 hours scheduled times 52 weeks would justify an accumulation of 1040 hours (520 hours each) for the fiscal year. Based upon the demands of the two department heads' job responsibilities, the Mayor feels that this normal 2080 hours (each) of work and just compensation should not be here blown out of proportion with this distorted comp time analysis.

Since FY-2018, both public works department heads are now considered full time and working above the minimum required for full time employment status. As such, each of the two public works department heads now qualifies for all city employment benefits: vacation pay, municipal retirement, comp



time, personal time off etc. The Mayor asserts that their last 19 month's comp accumulation has averaged 7 hours (each) monthly which is not excessive. The Mayor asked the clerk to pay the two public works department heads their deferred (currently classified as comp time) down to the 250 hours allowed under the FLSA. At the time of this request, the clerk replied that "the city did not have the money."

The Mayor signed the personnel policy which complies with the FLSA limitation of 240 hours of compensatory time. The Mayor will work with the City Clerk to formulate a plan to incentivize employees to take comp time hours that in in line with FLSA regulations as well as provide periodic comp time reduction payments as the budget allows.

The audit recommendations are so noted and the Mayor will do all within his authority to rectify deficient practices as recommended.

2019-3 Ethics Violations  
(initially cited in fiscal year  
ended June 30, 2018)

- Criteria: The City has adopted a formal ethics policy to ensure:
- a) the public confidence on the integrity of government,
  - b) the independence and impartiality of elected officials and public employees,
  - c) that governmental decisions and policy are made in the proper channel of the government structure, and
  - d) that public office and employment are not used for private gain.
- The policy requires every employee of the City to complete one hour of ethics training annually.
- Condition:
- 1) When the Mayor and aldermen were requested by the City's clerk to report, in writing, their sources of employment or outside business interests during the fiscal year ended June 30, 2019, one alderman responded "N/A". For the fiscal year ended June 30, 2018, the same alderman reported no sources of employment or outside business interests.
  - 2) The Clerk did not have written certification that the Mayor and the above-mentioned alderman took the required 2018 ethics training. When requested by the Clerk, the Mayor's office contacted the state ethics board and they also did not have record of either the Mayor or the above-mentioned alderman taking the training.
  - 3) As detailed in 2) of 2019-4 below, City employees were not assessed fees or authorized no fees to rent the City-owned properties.
- Cause:
- 1) The City's clerk requested written confirmation of the sources of employment or outside business interest of each elected official and this one alderman's written responses were not clear and incomplete.
  - 2) The Mayor and alderman apparently failed to get and retain written certification.
  - 3) Employees of the City and/or organizations, which they have business interest and are publicly associated, were allowed the use of City owned property at no charge.

Effect:

- 1) The management of the City could not verify that business was not transacted with the alderman's employer or business interests in either year.
- 2) The Mayor and alderman have been instructed by the state ethics board to correspond with its office concerning the matter of not completing the annual one-hour training required by the City.
- 3) These instances may be potential violations of the Code of Government Ethics.

Recommendation:

- 1) The City should require all employees to confirm annually the sources of employment or outside business interest.
- 2) The City should require every employee to provide annually written certification attesting to their compliance with the City's ethics policy and to ethics training.
- 3) Employees should be made aware of the possible ethics code violations and pay fees for the personal use of City owned property.

Management's response and planned corrective action:

1)

The Mayor has a decade's long interest for creating opportunity for under privileged youth and has been directly responsible for creating well over fifty million dollars in scholarship awards and college admissions opportunities for students since 1969 - all without ever charging a single dime to students or their parents. Sage Group America partners with non-profit organizations and universities including, but not limited to, Louisiana State University, Louisiana Tech University, Grambling State University, Stillman College (AL) to create admission access and scholarship opportunities for a diverse student population. See: (<https://www.latech.edu/current-students/student-advancement-affairs/multicultural-affairs/workshops/>) and ([https://www.gram.edu/calendarold/?ai1ec\\_event=act-math-compass-placement-exam-preparation](https://www.gram.edu/calendarold/?ai1ec_event=act-math-compass-placement-exam-preparation)).

The Mayor serves as President (a non-paid and non-employee level position) of Sage Group America, Inc. . The Mayor does not have any ownership interest in Sage Group and does not serve on its board of directors, The Mayor also serves as Senior Vice President of the C. T. Vivian Leadership Institute in Atlanta Georgia, this position is, and always has been, a nonpaying position. Additionally, the Mayor serves on the Board of Directors for T-Lab Global, an accelerated learning laboratory in Detroit Michigan [https://tlab-global.com/index.php?option=com\\_content&view=article&id=31&Itemid=307](https://tlab-global.com/index.php?option=com_content&view=article&id=31&Itemid=307). The Mayor also serves on the Advisory Board for The Emanuel Preparatory School of Math and Science <https://www.emanuelprep.com/advisory-board>. The Mayor is not an



employee of any of the above listed organizations during the fiscal year ended June 30, 2019. This full disclosure is also submitted annually on the Mayor's Tier 2 filing.

2)

The Clerk has written certification that the Mayor and the above-mentioned alderman completed the required 2018 ethics training. It is true that when requested by the Clerk, the Mayor's office contacted the Louisiana Municipal Association (LMA) who conducted the Ethics training at the Lake Charles Convention Center). The LMA directed the Mayor to contact the Ethics Board, which he immediately did. The ethics board did show a Henry C. Cotton as having completed training and the Mayor's assumption was that his ethics training completion form from the LMA convention (August 2, 2018) had been acknowledged as recorded. The Mayor did turn in the attendance sheet as did all other attendees after the training as required. The Mayor went so far as to provide the Ethics Board with photographs of he and other city of Bastrop council members and at the training in meeting room at the Lake Charles Convention Center as well as photographs of the presentation screen. The councilman also submitted satisfactory certification of same.

3)

In response to the recommendation: "Employees should be made aware of the possible ethics code violations and pay fees for the personal use of City owned property." The Mayor and employees are fully aware of the possible ethics code violations provided he (or they) used any City owned property for "personal" use. The Mayor has never used any City building for "personal use". The Mayor is only aware of one instance where a City of Bastrop employee renting a City owned building for a family dinner. The employee paid the \$150.00 rental fee only to have it refunded because the buildings sewer system failed, and raw sewage backed up in the bathrooms resulting in the event being cut short of completion. The employee received a refund of his rental fee as a result. The sewer problem was reported to the City Clerk who called a plumber the following workday. The City would have conducted this business in the same manner no matter the renter.

Aside for the Mayor utilizing the City of Bastrop Technology and Conference Center's classroom(s) to provide a series of college readiness ACT preparatory workshops "free of charge" for Bastrop area youth and adults, all other no charge events held at the Technology and Conference Center or the Municipal Center were non-profit charitable events and were free to the public. The nature of these events ranged from: giving away jackets and winter coats for underprivileged families, giving away backpacks and back to school supplies, giving away turkey dinners during Thanksgiving and Christmas, giving away free shoes and socks as well as a host of charitable events. The City did not charge for use of the buildings by: the Louisiana Delta Community College, the MCIO Head

Start program, the Bastrop High School Prom, the Bastrop Morehouse Chamber of Commerce (Annual Banquet & Legislative Luncheon), Healthy Blue Zumba (free) classes (to combat obesity) etc.

City employees are encouraged to assist community individuals, groups and civic organizations to achieve the city's public policy community enhancement goals and objectives.

Employees are aware of the possible ethics code violations and will pay fees for the personal use of City owned property if such use is of a personal or gratuitous nature.

The audit recommendations are so noted and the Mayor will do all within his authority to rectify deficient practices as recommended.

2019-4 Violation of Article VII, Section 14 of the Louisiana Constitution of 1974 (initially cited in fiscal year ended June 30, 2018)

Criteria: Article VII, Section 14 provides that funds, credit, property, or things of value of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporations.

Condition: 1) As of June 30, 2019, \$42,273 was owed the City by the City Marshal's office for salary reimbursements dating back to August 2015.  
Also owed the City as of the same date were property taxes, some delinquent as far back as the 2011 tax levy. Occupational licenses were delinquent for some businesses back to 2016.  
2) No fees were assessed to outside parties and employees of the City on 24 contracts examined for rental of the City's municipal center or technology center. The Mayor approved 42% of the 24 contracts with no charges. Two of the contracts with no fees charged were not signed by the City's employee approving while another two of the 24 contracts with no charges were made directly with employees of the City.  
A test prep program, mentioned on the Mayor's personal social media, was allowed to utilize one of the City-owned properties at no cost for five days. The contract was one of the 24 mentioned above and also was one of the contracts with no charges approved by the Mayor. A cooperative endeavor agreement was not signed between the program and the City.  
The Mayor and a company, of which he confirmed a business interest and is publicly associated, used one of the City-owned properties without a contract and with no fees being assessed. The event was not even listed on the calendar used by City employees to maintain rental scheduling, deposits, refunds, etc.  
It also was not determined if the company's mission was compatible with the City's.  
3) Public works employees were allowed to earn two hours minimum compensatory time when "called out" before or after normal workday hours.

Cause: 1) Sufficient effort is not being made by the City's administration to collect delinquent accounts. Current and previous administrations of the City have not encouraged the City's legal counsel to be proactive in the collection process (i.e., closing businesses, filing suits, etc.).  
2) All rental fees due to the City are not being assessed and collected.  
3) Management of the City is not requiring public works department heads and employees under their supervision to adhere to the City's current policies. The City's policy concerning compensatory time allows only for it to be earned hour for hour. The policy makes no mention as to a minimum amount being earned.



Effect: All of these conditions are in violation of Article VII, Section 14 and may result in losses of assets. The Louisiana Attorney General has noted that payment for hours not actually worked may constitute a criminal violation of the Public Payroll Fraud Statute (R.S. 14:138).

- Recommendation:
- 1) Delinquent accounts should be pursued vigorously for payment. A formal collection policy should be adopted.
  - 2) Section 14 and related statutes should be reviewed by the City's legal counsel, management, and department heads.
  - 3) The proposed revisions to the City's personnel policy mentioned in the third paragraph of the "Recommendations" to 2019-2 should be reviewed to include any necessary changes regarding compensatory time.

Management's response and planned corrective action:

1) Answer city marshal

In the matter of the sufficiency of the city administration's effort to collect delinquent accounts, during FY-2019, the Mayor directed the City Attorney to take collection actions for all debt.

As examples: Demand letters from the city attorney were sent to all delinquent City of Bastrop occupation license franchises, to all delinquent personal property tax accounts. The City Clerk's office personnel has consistently made calls to collect debt owed the city, however, aged debt is extremely difficult to collect. The Mayor has consistently engaged the City Marshal's Office in an effort to collect salary advancements dating back to FY-2015. The Marshal's office has, for years, suffered declining revenues for several reasons; some reasons are controllable, and others are beyond the control of the City Marshal administration. These reasons and conditions should be brought before the city council. The City Marshal has agreed to stay current beginning in December 12, 2019. The City Marshal has agreed to exhaust every means to pay the city for operating expenses owed. The Administration will double down on collection efforts as recommended.

Current and previous administrations of the City have not encouraged the City's legal counsel to be proactive in the collection process (i.e., closing businesses, filing suits, etc.).

2) Answer

The Mayor contends that in every case, uncompensated use of the city owned buildings, or portions thereof, is in compliance with the requirements of [Art. VII, §14](#) of the Louisiana Constitution as consistently outlined by the Attorney General in the Cabela Test.

Under the Cabela Test, in order for the uncompensated use of the building or portion of the building to not be considered an impermissible donation, the public entity (the City of Bastrop) must show:

1. That there is a public purpose served for which it is authorized to pursue,
2. That the transaction on its face does not appear to be wholly gratuitous; and
3. That the public entity has a reasonable expectation of receiving an equal or greater benefit than the value of the uncompensated use being given up.

The City of Bastrop owns several buildings that are used for public events: The Bastrop Municipal Center, the Dotson Park Recreational Complex (gym), and the City of Bastrop Technology and Conference Center. The city of Bastrop rental fees <https://www.cityofbastrop.com/facility-rental> The City of Bastrop Technology and Conference Center was donated to the City of Bastrop by a group that had purchased all of the real property from the International Paper Company (IP) that had remained after the Louisiana (Paper) Mill closure from 2008. In 2017, Mayor Cotton approached the new owners of the IP properties and asked that they consider donating the former IP Training Building to the City of Bastrop to be used by the city as a technology and conference center. The company accepted the Mayor's request for donation and initially leased the building for one dollar (\$1.00) for the first year and thereafter transferred ownership to the city in October 2018. The building is a 9,447 square feet complex plus land, that appraised for \$844,563.91 (rounded to \$845,000). The building features a main open area that has an occupancy of approximately 300 people, depending on the seating arrangement. With tables, this area can accommodate approximately 250 function attendees. This portion of the building, along with the kitchen and food preparation and service area are, is the portions that is offered for rental. The Mayor has never utilized this area reserved for large group rental for the city of Bastrop town to gowns program. The majority of free to the public ACT workshops are on Saturday mornings. There has never been a request for rental of the classroom areas of the building during the times that the Mayor is holding his free college & career work sessions.

The one to two (of three) smallest classrooms were all that was used by the Mayor in conducting HiSET (high school equivalency test), ACT tests prep, Accuplacer placement test prep, ASVAB (military) tests prep, and the National Career Readiness Certificate (NCRC) WorkKeys tests preparation. Therefore, "The Mayor and a company, of which he confirmed a business interest and is publicly associated", ***did not*** "used one of the City-owned properties ***that is available for rental*** in violation of any laws.

Below are the Facebook post links referenced within this audit findings. These Facebook posts clearly confirms the facts stated above. The first (2) link shows the large main area that is rented by individuals or groups; the Mayor has never used this area for any use or reason with or without pay. The second (2) link is the result of a Facebook search from the Mayor's Facebook page. The remaining 12 links are to the actual students within



the two smaller classrooms or outside of the Bastrop Technology and Conference Center. The maximum ACT class consisted of about 80 students and utilized two smaller classrooms. Links can be assessed by pasting into the Facebook search window.

1. <https://www.facebook.com/photo.php?fbid=10213250503200654&set=a.10213250461559613&type=3&theater>
2. <https://www.cityofbastrop.com/facility-rental>
3. <https://www.facebook.com/hencot/posts/1981751401876473>
4. <https://www.facebook.com/hencot/posts/1834622776589337>
5. <https://www.facebook.com/hencot/posts/2403984659653143>
6. <https://www.facebook.com/hencot/posts/2104113452973600>
7. <https://www.facebook.com/hencot/posts/1712698615448421>
8. <https://www.facebook.com/hencot/posts/1846287315422883>
9. <https://www.facebook.com/hencot/posts/1807417519309863>
10. <https://www.facebook.com/hencot/posts/2457690520949223>
11. <https://www.facebook.com/hencot/posts/2097518560299756>
12. <https://www.facebook.com/hencot/posts/1780289972022618>
13. <https://www.facebook.com/hencot/posts/2026679440717002>
14. <https://www.facebook.com/hencot/posts/2093411097377169>

Finally, the Mayor made clear that the City of Bastrop has a compelling interest in the educational success of its citizenry. From the FY2018-2 Condition 7 response stated:

“During the Mayoral election of 2017, the Mayor promised the “**general citizenry**” that, if they elected him, he would bring together non-profit organizations, church groups, civic and social organizations, retired educators, and other volunteers to tackle the 38% (8<sup>th</sup> grade to 12<sup>th</sup> grade) dropout rate here in Bastrop Louisiana. The Mayor called this program: The City of Bastrop Town to Gowns program. The program offers Bastrop residents free help on passing, what the Mayor calls the BIG FIVE gateway standardized test: The HiSET, ASVAB, WorkKeys, Accuplacer, and the ACT College Test.

The Mayor understands that: If the Bastrop schools fail, the town fails completely. Without the Mayor contributing all that he can to assist the school system, he would not be leading by example. The Mayor also understands that: Education in every sense is one of the fundamental factors of development. No local community can achieve sustainable economic development without substantial investment in human capital. Education raises people's productivity and creativity and promotes entrepreneurship and technological advances. The Mayor also understands that the quality of a City's education system determines: 1) future and present crime statistics, 2) economic development – the ability to attract businesses, 3) local real estate values, etc...The Mayor calls upon his life experiences to make executive decisions relative to fulfilling his campaign promise to use that life orientation and perspective, towards creating an environment conducive to: 1.) high education standards, 2.) no high school drop-outs, and 3.) providing the best basic governmental services possible, 4.) marketing the City as a great place to live, work, and retire.”

Of the students who participated in the full Town to Gown program during FY2019, all gained admission to college. The vast majority of students received the Louisiana TOPS scholarship worth up to \$30,000 over a 4-year period.

The Mayor's addressing the unacceptably high school dropout issue mission and objectives is compatible the City's mission as there is a direct correlation between the local school dropout rate and local crime statistics: The higher the dropout rate, the higher the crime statistic will become.

Therefore, the Mayor feels that the City of Bastrop satisfies all three prongs of the Cabela Test in every use by local civic organizations, public entities, charitable group (or individual) would be a permissible. The City of Bastrop has made every effort to ensure that any uncompensated use of its buildings are not for partisan political purposes, to avoid any potential violations of Art. XI, § 4 of the Louisiana Constitution.

Finally, the Mayor does agree that a written CEA (is preferred but not required by law in every case and) also provides the public entity with a mechanism to define the use of the building or portion of the building and protect itself against unintended use. The development of a written CEA in every case is not practicably for every event in a series of the same or similar event. The Mayor has directed City employees to develop simple CEA templates in order to provide future clarity that future uncompensated use of City of Bastrop buildings meet all prongs of the Cabela Test.

3)

**Louisiana** does not have **minimum wage** or overtime laws and, thus, has not adopted a definition of **hours** worked for purposes of compensation calculations. Because most employers and employees in Louisiana are subject to the federal Fair Labor Standards Act, the standards for hours worked set forth in that law typically apply.

The mayor agrees that the Fair Labor Standards Act (the FLSA) does not require employers to pay employees for a minimum number of hours for showing up and performing work. For example, a public works employee shows up to work at 2:00 a.m. and works for 48 minutes to help clear a large tree from the roadway. At 2:48 a.m. the fallen tree limb(s) is (are) cleared from the roadway. His employer, (the city) through his supervisor, sends him home because there is no



further immediate apparent danger of an unsuspecting motorist running their vehicle into the object which was blocking the roadway.

According to the FLSA, the employer would only be required to pay the employee for 48 minutes of work. It would not be required to pay the employee for any additional time or for a minimum number of hours. There is no requirement in the FLSA that employers pay employees a minimum of 1, 2, 3, 4, etc., hour for getting out of bed and showing up for and performing work in the middle of the night and for loss of an otherwise peaceful night's rest..

This is not to say show-up time is never considered hours worked. On the contrary, some employers and employees (as in the city's case here) may have a contractual agreement, whether formal *or informal*, that addresses show-up time. The mayor feels that the contractual agreement may set-forth a minimum number of hours to be counted as hours worked for show-up time.

Additionally, the mayor feels that if employers have a practice of paying employees show-up time, they may be required to pay employees in accordance with that practice, unless proper notice has been given to the employees that the practice (policy) has changed.

Upon information and belief, the mayor believes that the city of Bastrop has had a longstanding informal contract - paying employees a minimum base of two (2) hours work for middle of the night callouts - in force for many years and therefore is not in violation of the Fair Labor Standards Act nor any State of Louisiana law.

Finally, the mayor feels that continuing to honor the (non-civil service) public works employees' longstanding contract with the city of Bastrop supports promotes efficient in the delivery of essential governmental services necessary to insure a higher degree of public safety.

The mayor ask that, unless there is a specific prohibition expressed under the laws of the State of Louisiana – or Opinion of the Louisiana

Attorney General, that the continuation of this longstanding policy – allowing for a minimum threshold pay level for employees called out (more often than not) in the wee hours of the morning – be allowed to continue as the mayor feels that all prongs of the Cabela’s test is unequivocally met under this long standing agreement.

Under the Cabela Test, in order to lawfully continue honoring this decades old policy of paying employees a two-hour callout minimum (for evening and overnight callouts), the city can again show here:

1. That there is a public purpose served for which the City of Bastrop is authorized to pursue.
2. That the transaction on its face does not appear to be wholly gratuitous in that the last five mayoral administrations has relied upon the non-gratuitous nature of the two-hour minimum for overnight callouts; and
3. That the public entity, the City of Bastrop, has a reasonable expectation of receiving an equal or greater benefit than the value of the uncompensated use being given up.

The Mayor’s belief is that the 2-hour compensation policy meets all three prongs of the Cabela Test and is not established for political purposes and is not in violation of Article VII of the Louisiana Constitution and would not sign or authorize a policy (as was given him to sign) that eliminated this 2-hour callout policy.

As an example: the greatest number of after hour callouts are for trees falling across roadways, or a large dead animal is blocking the road in the middle of the night. The City faced a civil suit just for a tree across the road incident on the Collinston Road where a tree fell across the road during a late evening storm. The suit alleged that the city was not fast enough in responding and failing and failed to post warning vehicles on both sides of the obstruction. The individual did crash into the tree before the city to get to the far side of the obstruction. The suit was filed on the 367<sup>th</sup> day after the incident and therefore was

dismissed. These after hour callouts of Public Works Department personnel saves the city hundreds of thousands, if not millions of dollars in litigation in addition to providing for the public safety expectations of the community.

The Mayor has directed that this longstanding agreement between the City of Bastrop and its employees be formally adopted as a written policy. The Mayor is willing to seek an opinion from the State of Louisiana Attorney General if absolutely necessary.

The audit recommendations are so noted and the Mayor will do all within his authority to rectify deficient practices as recommended.

2019-5 Evidence Room (initial citing)

- Criteria: The Bastrop Police Department has a policy to secure all evidence for analysis and/or eventual presentation at trial. The policy states that it is absolutely essential that officers strictly adhere to the procedures so the integrity of evidence will be maintained.
- Condition: On May 9, 2019, a sergeant of the Bastrop Police Department arrested a juvenile for possession of a stolen handgun. The handgun was recovered and placed into a patrol captain's desk and not properly into evidence. The handgun went missing and the Bastrop Police Department was unable to locate. The original owner of the handgun contacted the Bastrop Police Department for the return of the weapon stating that the handgun was purchased about two years previously for over \$400. The City reimbursed the original owner \$420 on July 9, 2019.
- Cause: The officers did not adhere to the department's evidence policies.
- Effect: An item relevant to a possible criminal case was stolen, lost, or disposed of improperly and cost the City \$420.
- Recommendation: Strict adherence to policies in place must be enforced.
- Management's response and planned corrective action:

The Mayor agrees that the Bastrop Police Department has a policy to secure all evidence for analysis and/or eventual presentation at trial. The policy states that it is absolutely essential that officers strictly adhere to the procedures so the integrity of evidence will be maintained.

The Mayor, when presented with the case of the missing gun, ordered an investigation. After the investigation the Mayor directed the Chief of Police to place a letter of reprimand within the officer's folder and to provide continuing education training for all police department personnel regarding care and proper handling of possible evidence. Based upon the circumstances surrounding the investigation concerning the missing weapon, the Mayor did not feel that a more severe punishment was warranted.

As the Mayor recalls: On May 9, 2019, a sergeant of the Bastrop Police Department arrested a juvenile for possession of a stolen handgun following the juvenile's mother call to the Bastrop Police Department stating she feared that her son was in possession of a handgun. The patrol sergeant responded to the call. Upon securing the weapon from the juvenile's belongings, the sergeant confirmed that the gun was stolen by searching of the National Crime Information Center (NCIC) database.



While it is true that the sergeant, in violation of department policy, placed the handgun into a patrol captain's desk drawer and that the sergeant did not properly log and placed into an evidence locker (to await any further processing within the department or to arrange to have the gun's return to the law enforcement jurisdiction that initiated the stolen gun report to NCIC), the sergeant did not appear to have any unlawful motive that would cause the gun to be lost, misplaced or stolen. After all, the only individuals with access to the captain's desk drawer were fellow officers and authorized personnel by the police department.

The Mayor expressed to the Chief of Police that his greater concern was the possibility that an individual authorized to access the secure police squad room would be capable of removing or misplacing any item, particularly a deadly weapon, for any reason other than to determine why the weapon was in the patrolman's captain's drawer.

The investigation determined that the weapon had been seen within the captain's desk drawer on multiple occasions and that no individual patrolman or patrolman's supervisor made any formal inquiries concerning the gun, nor did any individual officer take action to correct this deficient practice.

This condition was as especially alarming to the Mayor than the stated policy violation infraction. For that reason, the Mayor requested that the Chief of Police use this incident as a training opportunity for the department in addition to the letter of reprimand for the sergeant.

Finally, the patrol sergeant had offered, through his supervisor, to pay the gun owner for the full value of the gun. The gun owner is alleged to have indicated that the gun had great sentimental value and that the amount that she would accept was higher than the retail value of the gun. The City of Bastrop then paid four hundred and twenty five dollars (\$420.00) to the gun owner.

The missing gun was taken from the patrol captain's drawer by an investigative (Detective) captain who was working an overtime shift as patrol captain. This captain, after asking individuals working under his supervision about that he discovered within the drawer, ran the gun through an NCIC database check and the weapon did not register as stolen. He then sealed within a brown envelop and placed in a secure location within the detective division.

The investigation division captain who moved and secured the weapon was on vacation during the week when the request to return the gun was presented to the department. It was only after that a patrol captain mentioned the weapon during a telephone conversation that the vacationing detective division captain asked

him to describe the weapon that he learned of the details of the search for the lost gun.

The Mayor believes that the gun in question was found months before this finding was submitted for his answer. This finding fails to state the fact that the gun in question has been in known notorious possession of the Bastrop Police Department since the early Summer of 2019. Therefore, an item relevant to a possible criminal case was not stolen and not disposed of improperly and cost the City \$420. There was, however, a failure by supervision to conduct timely interviews with all individuals within the police department who had access to the squad room where patrol units operate.

The city of Bastrop will make every effort to utilize the \$420.00 gun or to offer it for sale through a local vendor in order to minimize its loss.

The audit recommendations are so noted and the Mayor will do all within his authority to rectify deficient practices as recommended.

2019-6	Violation of State Statutes (initially cited in fiscal year ended June 30, 2018)
Criteria:	Pursuant to Louisiana Revised Statutes 24:513 and 24:514, all annual audits must be completed and submitted to the Legislative Auditor within six months of the close of the auditee's fiscal year.
Condition:	The City's annual audit for the fiscal year ended June 30, 2019 was not submitted to the Legislative Auditor within six months of the end of the fiscal year.
Cause:	Management's responses and planned corrective actions were not provided to the auditor on or before December 31, 2019 for inclusion in the report.
Effect:	The City is in violation of the statutes.
Recommendation:	Management's responses and planned corrective actions should be provided in a timely manner allowing completion and submission of the annual audit.
Management's response and planned corrective action:	



We concur with the finding that: Pursuant to Louisiana Revised Statutes 24:513 and 24:514, all annual audits must be completed and submitted to the Legislative Auditor within six months of the close of the auditee's fiscal year.

The City's annual audit for the fiscal year ended June 30, 2019 was not submitted to the Legislative Auditor within six months of the end of the fiscal year.

Management's responses and planned corrective actions were not provided to the auditor on or before December 31, 2019 for inclusion in the report because the auditor's findings were so extensive and the response required exhaustive research, the Mayor received the report on December 17, 2019, four days before the Management's responses and planned corrective actions were provided to the auditor. To provide a detailed, comprehensive and transparent and response and corrective actions within a four day Christmas and New Year's holiday weekend was an impossibility as the list of finding called for factual, extensive and detailed answers.

# HILL, INZINA & CO.

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

To the Honorable Mayor and Members of the Board of Aldermen of City of Bastrop, Louisiana and the Louisiana Legislative Auditor:

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

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

The procedures and associated findings are as follows:

### *Written Policies and Procedures*

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1. Obtain and inspect the City's written policies and procedures and observe that they address the following category (if applicable to public funds and the City's operations):

***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

\*\*The City had no written policies and procedures addressing disaster recovery/business continuity.

### Collections (excluding EFTs)

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2. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five deposit sites (or all deposit sites if less than five).
3. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.  
\*\*All employees at the City's one deposit site are responsible for cash collections and do share the one cash drawer.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.  
\*\*All employees at the City's one deposit site are responsible for the duties listed with oversight or reconciliation from another employee.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.  
\*\*All employees at the City's one deposit site are responsible for the duties listed with oversight or reconciliation from another employee.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.  
\*\*All employees at the City's one deposit site are responsible for the duties listed with oversight or reconciliation from another employee.
4. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.  
\*\*Supporting documentation was examined verifying that all employees who had access to cash were covered by bonds.
5. Randomly select two deposit dates for five bank accounts (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the*

*deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten deposits and:

\*\*The City only had two bank accounts that has deposits throughout the month. The other accounts only have interest earned or interfund transfers.

a) Observe that receipts are sequentially pre-numbered.

\*\*The examined receipts were sequentially pre-numbered.

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

\*\*Receipts, reports, and other related documentation were traced to the deposit slips.

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

\*\*The deposit slip total agreed to the actual deposit per the bank statement.

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

\*\*All deposits were made within one business day of receipt at the collection location.

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

\*\*The actual deposits were traced from the bank statements to the general ledger.

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

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

7. For each location selected under #6 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

\*\*Various employees issue purchase requisitions, purchase orders are then issued by the purchasing agent or assistant, and various employees make the actual purchases.

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

\*\*The clerk, acting alone, initiates, processes, and approves occasional, ongoing payments (i.e., bond related costs and lease payments).

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.  
**\*\*The City's clerk adds/modifies vendor files and is not involved in the actual processing of payments.**
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.  
**\*\*All signed checks are delivered to the post office by an employee who is not responsible in any way for processing payments.**
- 8. For each location selected under #6 above, obtain the City's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.  
**\*\*The five randomly selected disbursements matched the related original invoice/billing statement.**
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #7, as applicable.  
**\*\*The documentation for each disbursement included evidence of segregation of duties tested under #7.**

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

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- 9. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- 10. Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

\*\*Only two of the five cards randomly selected have individual employees' names on them along with City of Bastrop. All others just have City of Bastrop as the cardholder's name. All individual purchases on the statements selected were approved by department heads. The actual payments are also approved by the City's aldermen on a monthly basis upon recommendation of the finance committee.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

\*\*Finance charges and late fees were charged on one of the five selected statements.

11. Using the monthly statements or combined statements selected under #10 above, excluding fuel cards, randomly select ten transactions (or all transactions if less than ten) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have ten transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

\*\*All the selected transactions were supported by an original itemized receipt that identified precisely what was purchased and written documentation of the business/public purpose. None were for meal charges.

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

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

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ("GSA")([www.gsa.gov](http://www.gsa.gov)).

\*\*Three of the five reimbursements selected included hotel charges that exceeded the GSA rates.

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

\*\*All the selected reimbursements were supported by itemized receipts that identified precisely what was purchased.

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

\*\*Each reimbursement was supported by documentation of the business/public purpose. It was noted while performing this procedure that two of the five selected reimbursements included per diem meal charges for meals provided at the events.

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

\*\*Two of the five selected reimbursements were not approved, in writing, by someone other than the employee receiving the reimbursement.

### *Ethics*

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- 13. Randomly select five employees/officials and obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

\*\*One of the five selected employees/officials (the Mayor) did not complete one hour of ethics training.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the City's ethics policy during the fiscal period.

\*\*The City did not include in their ethics policy the requirement that each employee/official attest annually, through signature, verification that he or she had read the City's ethic policy until February 27, 2019.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

/s/ Hill, Inzina & Co.

Bastrop, Louisiana  
November 22, 2019





*City of Bastrop*  
*Post Office Box 431*  
*Bastrop, Louisiana 71221-0431*  
*318-283-0250*

December 6, 2019

Hill and Inzina Company  
701 East Madison  
Bastrop, Louisiana 71220

Re: Audit 2018-2019 Responsdence

Dear Ms. Haynes:

We would like to respond to the findings of the policies and procedures for the audit 2018-2019.

1. Disaster Recovery/Business Continuity.

We concur. The City has hired a company to work with us to identify all of our network systems and antivirus software and make recommendations to ensure that we have the security that we need, so we can complete a written plan.

2. Collections – List of deposit sites were provided. We concur.

3. Non-Payroll Disbursements – We concur.

4. Credit/Debit/Fuel Cards – List of cards were provided. We concur.

5. Travel and Travel Related Expenses – We concur.

6. Ethics – Sandra Goleman and I had a conference call yesterday afternoon with the Louisiana Ethics. They are going to research their records because I attend-  
ed both Louisiana Municipal Association Conferences in February and August 2018.  
I was told to hold up on finding the pictures that I have with four of the councilmen  
and I sat at the same table during the ethics training until they call me back.

Sincerely,

A handwritten signature in blue ink, appearing to read "Henry C. Cotton", is written over a light blue horizontal line.

Henry C. Cotton  
Mayor