

CITY OF BASTROP, LOUISIANA

FINANCIAL REPORT

June 30, 2017

HILL, INZINA & COMPANY

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HILL, INZINA & COMPANY

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, 2017, 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, 2017, 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 14, 2017, 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 14, 2017

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, 2017

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, 2017. 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>2017</u>	<u>2016</u>
Other assets	\$ 17,704	\$ 18,470
Capital assets, net of depreciation	<u>10,895</u>	<u>10,042</u>
Total assets	<u>\$ 28,599</u>	<u>\$ 28,512</u>
Deferred outflows of resources	<u>\$ 3,260</u>	<u>\$ 2,007</u>
Other liabilities	\$ 546	\$ 9,647
Long-term liabilities	<u>19,491</u>	<u>10,287</u>
Total liabilities	<u>\$ 20,037</u>	<u>\$ 19,934</u>
Deferred inflows of resources	<u>\$ 931</u>	<u>\$ 1,207</u>
Net position:		
Invested in capital assets, net of related debt	\$ 10,895	\$ 10,042
Restricted	8,426	9,525
Unrestricted (deficit)	<u>(8,430)</u>	<u>(10,189)</u>
Total net position	<u>\$ 10,891</u>	<u>\$ 9,378</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, 2017 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>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,986	\$ 1,928
Operating grants and contributions	381	362
Capital grants and contributions	481	574
General revenues:		
Taxes	9,140	8,999
Intergovernmental	1,129	997
Unrestricted investment earnings	31	11
Miscellaneous	583	591
Special item:		
Gain (loss) on disposition of capital asset	(105)	-
Total revenues and special item	<u>\$ 13,626</u>	<u>\$ 13,462</u>
Expenses:		
General government	\$ 2,692	\$ 2,778
Public safety	5,325	5,055
Public works	2,326	1,979
Sanitation	1,628	1,986
Economic development	10	10
Debt service	268	351
Total expenses	<u>\$ 12,249</u>	<u>\$ 12,159</u>
Change in net position	\$ 1,377	\$ 1,303
Net position - beginning	9,378	8,105
Prior period adjustment	<u>136</u>	<u>(30)</u>
Net position - ending	<u>\$ 10,891</u>	<u>\$ 9,378</u>

The City's total revenues increased only by \$164,000 while the total costs of all programs and services also increased by \$90,000.

General revenues are those available for the City to pay for the governmental activities. For the year ended June 30, 2017, 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, 2017, the City's governmental funds reported combined ending fund balances of \$16,940,474, a decrease of \$501,540 from \$17,442,014 as of June 30, 2016. \$8,425,835 of the ending combined fund balance as of June 30, 2017 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 ongoing construction projects. Depreciation of capital assets of \$446,810 for the year ended June 30, 2017 was recorded in the governmental activities of the government-wide financial statements.

As of June 30, 2017, the City had long-term liabilities comprised of the following:

Compensated absences	\$ 156,907
Sewer revenue and refunding revenue bonds	4,490,000
Sales tax revenue bonds	<u>4,490,000</u>
Total long-term liabilities	<u>\$ 9,136,907</u>

All debt service requirements of the current fiscal year were timely met. There were no new long-term debt issuances incurred during the year ended June 30, 2017 and the majority of long-term debt retirements were made for refunding 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, 2018 expecting minimal changes in activities. Budgeted revenues and other financing sources for the year ending June 30, 2018 were increased only 3% from the final amended budgeted revenues and other financing sources of \$12,283,243 for the year ended June 30, 2017. Likewise, budgeted expenditures and other financing uses of the General Fund were decreased by less than 1% from the final amended budgeted amount of \$12,554,822 for the fiscal year ended June 30, 2017.

The Sewer Use Fee Fund's fiscal year ending June 30, 2018 budgeted revenues were increased to \$1,190,500 from \$1,170,550 budgeted for the year ended June 30, 2017. Budgeted expenditures for the year ending June 30, 2018 were decreased by \$387,043 from the year ended June 30, 2017.

Budgeted revenues of the Sales Tax Fund for the fiscal year ending June 30, 2018 were increased from the previous fiscal year's budget by only \$5,756 while budgeted expenditures were increased by \$1,300,439, the majority for street 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, 2017

ASSETS

Cash	\$ 7,066,596
Pooled deposits	2,553,174
Receivables:	
Accounts	126,862
Taxes	102,509
Inventory	34,917
Due from other governments	663,328
Restricted assets:	
Cash	6,422,073
Money market mutual funds	734,753
Capital assets:	
Land	1,113,742
Construction in progress	1,833,182
Other capital assets, net of depreciation	<u>7,948,216</u>
Total assets	<u>\$ 28,599,352</u>

DEFERRED OUTFLOWS OF RESOURCES

Resources related to pensions	<u>\$ 3,259,757</u>
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CITY OF BASTROP, LOUISIANA

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES (Continued)

June 30, 2016

LIABILITIES

Accounts payable	\$ 437,885
Accrued salaries	76,898
Accrued interest	30,832
Long-term liabilities:	
Due within one year	965,615
Due in more than one year	8,171,292
Net pension liability	8,841,193
Net other postemployment benefit obligation	<u>1,513,315</u>
Total liabilities	<u>\$ 20,037,030</u>

DEFERRED INFLOWS OF RESOURCES

Resources related to pensions	<u>\$ 931,424</u>
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NET POSITION

Invested in capital assets, net of related debt	\$ 10,895,140
Restricted for debt service	8,425,835
Unrestricted (deficit)	<u>(8,430,320)</u>
Total net position	<u>\$ 10,890,655</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
As of and for the Year Ended June 30, 2017

	<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	\$ 2,691,952	\$ 715,203	\$ 713	\$ 436,496	\$(1,539,540)
Public safety	5,325,330	83,661	307,516	-	(4,934,153)
Public works	2,326,226	110,188	25,720	-	(2,190,318)
Sanitation	1,627,708	1,076,885	47,222	44,888	(458,713)
Economic development	10,000	-	-	-	(10,000)
Debt service:					
Interest and fiscal charges	<u>267,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(267,313)</u>
Totals	<u>\$ 12,248,529</u>	<u>\$ 1,985,937</u>	<u>\$ 381,171</u>	<u>\$ 481,384</u>	<u>\$(9,400,037)</u>
General revenues:					
					\$ 9,139,982
					1,128,581
					30,543
					583,178
Special item:					
					<u>(105,421)</u>
					<u>\$ 10,776,863</u>
					\$ 1,376,826
					9,378,060
					<u>135,769</u>
					<u>\$ 10,890,655</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

ASSETS	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Cash	\$ 2,277,833	\$ 1,162,931	\$ 3,625,832	\$ 7,066,596
Pooled deposits	1,771,805	781,369	-	2,553,174
Receivables:				
Accounts	-	126,862	-	126,862
Taxes	102,509	-	-	102,509
Inventory	34,917	-	-	34,917
Due from other governments	414,373	-	-	414,373
Restricted assets:				
Cash	-	1,183,421	5,238,652	6,422,073
Money market mutual funds	-	734,753	-	734,753
 Total assets	 <u>\$ 4,601,437</u>	 <u>\$ 3,989,336</u>	 <u>\$ 8,864,484</u>	 <u>\$ 17,455,257</u>

(continued)

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)

June 30, 2017

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	\$ 356,409	\$ 53,501	\$ 27,975	\$ 437,885
Accrued salaries	76,898	-	-	76,898
Total liabilities	<u>\$ 433,307</u>	<u>\$ 53,501</u>	<u>\$ 27,975</u>	<u>\$ 514,783</u>
Fund balances:				
Nonspendable (inventory)	\$ 34,917	\$ -	\$ -	\$ 34,917
Restricted (debt service)	-	3,935,835	4,490,000	8,425,835
Assigned	41,110	-	4,346,509	4,387,619
Unassigned	4,092,103	-	-	4,092,103
Total fund balances	<u>\$ 4,168,130</u>	<u>\$ 3,935,835</u>	<u>\$ 8,836,509</u>	<u>\$ 16,940,474</u>
Total liabilities and fund balances	<u>\$ 4,601,437</u>	<u>\$ 3,989,336</u>	<u>\$ 8,864,484</u>	<u>\$ 17,455,257</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, 2017

	General <u>Fund</u>	Sewer Use Fee <u>Fund</u>	Sales Tax <u>Fund</u>	<u>Totals</u>
Revenues:				
Taxes	\$ 8,165,500	\$ -	\$ 974,482	\$ 9,139,982
Licenses and permits	526,396	-	-	526,396
Intergovernmental	1,798,479	92,110	-	1,890,589
Fees, charges, and commissions for services	352,495	1,035,524	-	1,388,019
Fines and forfeitures	71,522	-	-	71,522
Interest and miscellaneous	372,485	9,618	7,623	389,726
Total revenues	<u>\$ 11,286,877</u>	<u>\$ 1,137,252</u>	<u>\$ 982,105</u>	<u>\$ 13,406,234</u>
Expenditures:				
Current:				
General government	\$ 2,547,934	\$ -	\$ -	\$ 2,547,934
Public safety	4,905,419	-	-	4,905,419
Public works	1,834,241	-	409,637	2,243,878
Sanitation	1,282,274	198,821	-	1,481,095
Economic development	10,000	-	-	10,000
Debt service:				
Principal	1,189,353	485,000	510,000	2,184,353
Interest and fiscal charges	10,110	138,015	117,329	265,454
Capital outlay	432,469	826,643	10,529	1,269,641
Total expenditures	<u>\$ 12,211,800</u>	<u>\$ 1,648,479</u>	<u>\$ 1,047,495</u>	<u>\$ 14,907,774</u>

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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, 2016

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Excess (deficiency) of revenues over expenditures	\$(924,923)	\$(511,227)	\$(65,390)	\$(1,501,540)
Other financing sources: Revenue anticipation note proceeds	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Net change in fund balances	\$ 75,077	\$(511,227)	\$(65,390)	\$(501,540)
Fund balances - beginning	<u>4,093,053</u>	<u>4,447,062</u>	<u>8,901,899</u>	<u>17,442,014</u>
Fund balances - ending	<u>\$ 4,168,130</u>	<u>\$ 3,935,835</u>	<u>\$ 8,836,509</u>	<u>\$ 16,940,474</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, 2017

Total fund balances - governmental funds balance sheet	\$ 16,940,474
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.	248,955
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,895,140
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	(9,167,739)
Net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	(8,841,193)
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.	2,328,333
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>1,513,315</u>)
Total net position of governmental activities - government-wide statement of net position	<u>\$ 10,890,655</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, 2017

Net change in fund balances - governmental funds	\$(501,540)
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 capital outlays (\$1,269,641) exceeded depreciation expense (\$446,810) in the current period.	822,831
Governmental funds report the net book value of capital assets that are disposed as either a gain or loss. A fire truck costing \$221,940 with accumulated depreciation of \$116,519 was wrecked and removed from the City's fixed asset records.	(105,421)
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.	100,547
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. This is the amount related to these reporting differences.	1,148,023
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.	223,995
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.	(112,523)

(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, 2017

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. (199,086)

Changes in net assets of governmental activities - government-wide
statement of activities \$ 1,376,826

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

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 130 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 28, 2016. 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 30, 2017 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, 2017:

Non-pooled deposits:	
Interest-bearing demand deposits	\$ 7,116,138
Petty cash	800
Money market mutual funds	5,661,494
Held by paying agent	1,012,415
Pooled deposits	<u>2,985,749</u>
	<u>\$ 16,776,596</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, 2017, the City had \$7,316,262 in non-pooled demand deposits (collected bank balances). These deposits were secured from risk by \$500,000 of federal deposit insurance and \$6,816,262 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, 2017 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, 2017 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, 2017.

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, 2017:

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Totals</u>
User fees:			
Sewer	\$ -	\$ 126,862	\$ 126,862
Taxes:			
Franchise	102,509	-	102,509
Intergovernmental:			
State	12,627	-	12,627
Local	<u>401,746</u>	<u>-</u>	<u>401,746</u>
	<u>\$ 516,882</u>	<u>\$ 126,862</u>	<u>\$ 643,744</u>

Note 4. Taxes

For the year ended June 30, 2017, ad valorem taxes of 57.93 mills were levied on property with assessed valuations totaling \$49,295,646 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.	\$ 1,924,570	3.90%	\$ 111,490
Wal-Mart Real Estate Business Trust	1,598,817	3.24%	92,619
Wal-Mart Louisiana, LLC	1,161,045	2.36%	67,259

Total ad valorem taxes levied were \$2,855,698. There were \$16,706 (not considered material to record) of uncollected ad valorem taxes as of June 30, 2017 on this levy.

The following sales and use taxes were levied as of June 30, 2017:

<u>Rate</u>	<u>Purpose</u>	<u>Expiration</u> <u>Date</u>
½%	any lawful municipal purposes	June 1, 2020
½%	any lawful municipal purposes	August 1, 2019
1%	any and all lawful municipal purposes	August 1, 2018
½%	general, fire, and police operations	Perpetual
½%	streets, sidewalks, alleys, roadways, and related drainage	December 31, 2024

Note 5. Restricted Assets

Restricted assets, \$1,918,174 of the Sewer Use Fee Fund and \$5,238,652 of the Sales Tax Fund consist of funds required to be maintained and their use is restricted.

NOTES TO FINANCIAL STATEMENTS

Depreciation expense of the City for the year ended June 30, 2017 was charged to the following governmental functions:

General government	\$ 117,023
Public safety	107,601
Public works	75,573
Sanitation	<u>146,613</u>
	<u>\$ 446,810</u>

Note 7. Short-Term Debt

In August 2016, the City issued \$1,000,000 revenue anticipation notes for the purpose of paying current general expenses for the year ended June 30, 2017. The maturity date was on or before March 1, 2017 and the City paid the note in full with interest thereon in February 2017.

NOTES TO FINANCIAL STATEMENTS

Note 8. Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the governmental activities of the City for the year ended June 30, 2017:

	<u>General Fund</u>			<u>Sewer Use Fee Fund</u>		<u>Sales Tax Fund</u>	<u>Totals</u>
	<u>Sales Tax Refunding Bonds</u>	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer Refunding Revenue Bonds</u>	<u>Sales Tax Revenue Bonds</u>	
Long-term debt payable - July 1, 2016	\$ 163,689	\$ 25,456	\$ 122,644	\$ 1,700,000	\$ 3,275,000	\$ 5,000,000	\$ 10,286,789
Additions	-	-	34,263	-	-	-	34,263
Retirements	(163,689)	(25,456)	-	-	(485,000)	(510,000)	(1,184,145)
Long-term debt payable - June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,907</u>	<u>\$ 1,700,000</u>	<u>\$ 2,790,000</u>	<u>\$ 4,490,000</u>	<u>\$ 9,136,907</u>

The following is a summary of the current (due within one year) and long-term (due in more than one year) portions of long-term debt obligations of the governmental activities as of June 30, 2017:

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>		<u>Sales Tax Fund</u>	<u>Totals</u>
	<u>Compensated Absences</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer Refunding Revenue Bonds</u>	<u>Sales Tax Revenue Bonds</u>	
Current portion	\$ 110,615	\$ -	\$ 340,000	\$ 515,000	\$ 965,615
Long-term portion	46,292	1,700,000	2,450,000	3,975,000	8,171,292
Total due	<u>\$ 156,907</u>	<u>\$ 1,700,000</u>	<u>\$ 2,790,000</u>	<u>\$ 4,490,000</u>	<u>\$ 9,136,907</u>

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NOTES TO FINANCIAL STATEMENTS

The outstanding bonds as of June 30, 2017 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 bonds of the governmental activities as of June 30, 2017 are as follows:

Year Ending <u>June 30,</u>	Sewer Use <u>Fee Fund</u>		Sales Tax <u>Fund</u>	<u>Totals</u>
	Sewer Revenue <u>Bonds</u>	Sewer Refunding Revenue <u>Bonds</u>	Sales Tax Revenue <u>Bonds</u>	
2018	\$ -	\$ 340,000	\$ 515,000	\$ 855,000
2019	-	210,000	525,000	735,000
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 - 27	625,000	1,190,000	1,785,000	3,600,000
2028 - 32	710,000	390,000	-	1,100,000
Totals	<u>\$ 1,700,000</u>	<u>\$ 2,790,000</u>	<u>\$ 4,490,000</u>	<u>\$ 8,980,000</u>

The City incurred and charged to expense \$265,454 of interest costs and fiscal charges during the year ended June 30, 2017. The annual requirements to amortize all interest and administrative fees applicable to the bonds of the governmental activities as of June 30, 2017 are as follows:

Year Ending <u>June 30,</u>	Sewer Use <u>Fee Fund</u>		Sales Tax <u>Fund</u>	<u>Totals</u>
	Sewer Revenue <u>Bonds</u>	Sewer Refunding Revenue <u>Bonds</u>	Sales Tax Revenue <u>Bonds</u>	
2018	\$ 69,700	\$ 57,565	\$ 102,427	\$ 229,692
2019	69,700	52,065	89,842	211,607
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 - 27	208,177	113,954	65,521	387,652
2028 - 32	91,225	14,601	-	105,826
Totals	<u>\$ 625,660</u>	<u>\$ 368,480</u>	<u>\$ 448,547</u>	<u>\$ 1,442,687</u>

As of June 30, 2017, employees of the City had accumulated and vested \$155,527 of employee leave benefits that will be liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS

Note 9. Fund Balances

Inventory at year end is equally offset by an unspendable 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 10. 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 11. Pension Plans and Other Pension Liabilities

For the year ended June 30, 2017, the City paid retirement benefits of \$71,198 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 years ended June 30, 2016 and 2015, the actual employer contribution rates were 19.75% and 19.75%, respectively, and the actuarially required contribution rates were 19.75% and 19.75%, respectively. The current statutes require that rates be 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>
Fixed income	35%	1.80%
Equity	50%	2.60%
Alternatives	<u>15%</u>	<u>0.80%</u>
Totals	<u>100%</u>	5.20%
Inflation		<u>2.50%</u>
Expected arithmetic nominal return		<u>7.70%</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 22.75% 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, 2017, 2016, and 2015 were \$298,317, \$237,366, and \$233,003, 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 $3 \frac{1}{3}$ % 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 ½%, 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, 2016, employer contributions were 31.5% for Nonhazardous Duty employees hired prior to January 1, 2013 and 29.5% for Hazardous Duty employees hired after January 1, 2013.

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>
Fixed income	21%	0.49%
Equity	53%	3.69%
Alternatives	20%	1.11%
Other	6%	0.21%
Totals	<u>100%</u>	5.50%
Inflation		<u>2.75%</u>
Expected arithmetic nominal return		<u>8.25%</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 33.75% for Nonhazardous Duty employees and 31.75% 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, 2017, 2016, and 2015 were \$258,256, \$231,650, and \$227,841, 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 fifty 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 ½% 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, 2016, employer contribution rates were 27.25% for employees above the poverty line and 29.25% 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>
Fixed income	24%	1.85%
Equity	58%	6.77%
Alternatives	8%	6.67%
Other	<u>10%</u>	<u>4.30%</u>
Totals	<u>100%</u>	5.34%
Inflation		<u>3.00%</u>
Expected arithmetic nominal return		<u>8.34%</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 25.25% 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, 2017, 2016, and 2015 were \$297,017, \$322,636, and \$317,758, 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>2017</u>	<u>2016</u>
MERS	\$ 2,760,830	\$ 2,462,877
MPERS	2,628,944	2,116,084
FRS	<u>3,451,419</u>	<u>2,758,961</u>
	<u>\$ 8,841,193</u>	<u>\$ 7,337,922</u>

NOTES TO FINANCIAL STATEMENTS

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on 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 proportions of each plan were as follows:

	<u>2016</u>	<u>2015</u>
MERS	.07%	.07%
MPERS	.28%	.27%
FRS	.53%	.51%

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

	<u>2017</u>	<u>2016</u>
MERS	\$ 367,893	\$ 279,163
MPERS	206,263	36,131
FRS	<u>497,085</u>	<u>400,443</u>
	<u>\$ 1,071,241</u>	<u>\$ 715,737</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>2017</u>	<u>MERS</u>	<u>MPERS</u>	<u>FRS</u>	<u>Totals</u>
Deferred outflows of resources:				
Changes in proportion	\$ -	\$ 57,892	\$ 212,928	\$ 270,820
Changes in assumptions	100,500	127,821	29,745	258,066
Net difference between projected and actual earnings on pension plan investments	630,500	404,525	829,493	1,864,518
City's contributions subsequent to the measurement date	<u>301,050</u>	<u>268,278</u>	<u>297,025</u>	<u>866,353</u>
Total deferred outflows of resources	<u>\$ 1,032,050</u>	<u>\$ 858,516</u>	<u>\$ 1,369,191</u>	<u>\$ 3,259,757</u>
Deferred inflows of resources:				
Changes in proportion	\$ 58,094	\$ 244,370	\$ 362,128	\$ 664,592
Differences between expected and actual experience	87,271	41,820	136,621	265,712
Changes in assumptions	<u>-</u>	<u>158</u>	<u>962</u>	<u>1,120</u>
Total deferred inflows of resources	<u>\$ 145,365</u>	<u>\$ 286,348</u>	<u>\$ 499,711</u>	<u>\$ 931,424</u>

NOTES TO FINANCIAL STATEMENTS

<u>2016</u>	<u>MERS</u>	<u>MPERS</u>	<u>FRS</u>	<u>Totals</u>
Deferred outflows of resources:				
Changes in proportion	\$ 10,621	\$ -	\$ 170,793	\$ 181,414
Changes in assumptions	205,740	184,643	34,579	424,962
Net difference between projected and actual earnings on pension plan investments	312,865	-	295,919	608,784
City's contributions subsequent to the measurement date	<u>237,366</u>	<u>231,650</u>	<u>322,636</u>	<u>791,652</u>
 Total deferred outflows of resources	 <u>\$ 766,592</u>	 <u>\$ 416,293</u>	 <u>\$ 823,927</u>	 <u>\$2,006,812</u>
Deferred inflows of resources:				
Changes in proportion	\$ 53,353	\$ 392,181	\$ 452,660	\$ 898,194
Differences between expected and actual experience	101,833	38,883	126,093	266,809
Changes in assumptions	-	305	1,165	1,470
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>40,186</u>	<u>-</u>	<u>40,186</u>
 Total deferred inflows of resources	 <u>\$ 155,186</u>	 <u>\$ 471,555</u>	 <u>\$ 579,918</u>	 <u>\$1,206,659</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, 2018. 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>	
2018	\$ 282,249
2019	297,14
2020	573,700
2021	274,566
2022	27,512
Thereafter	6,810

Actuarial Assumptions:

The total pension liabilities in the June 30, 2016 and 2015 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	2.88%	2.88%	2.88%
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	7.50%	7.50%	7.50%
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>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
MERS (current rate 7.5%)	\$ 3,509,528	\$ 2,760,830	\$ 2,121,960
MPERS (current rate 7.5%)	3,504,609	2,628,944	1,893,744
FRS (current rate 7.5%)	<u>4,702,280</u>	<u>3,451,419</u>	<u>2,399,469</u>
Totals	<u>\$ 11,716,417</u>	<u>\$ 8,841,193</u>	<u>\$ 6,415,173</u>

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
MERS (current rate 7.5%)	\$ 3,223,155	\$ 2,462,877	\$ 1,815,109
MPERS (current rate 7.5%)	2,942,184	2,116,084	1,423,827
FRS (current rate 7.5%)	<u>3,913,857</u>	<u>2,758,961</u>	<u>1,788,149</u>
Totals	<u>\$ 10,079,196</u>	<u>\$ 7,337,922</u>	<u>\$ 5,027,085</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 12. Postemployment Benefits Other than Pensions

Plan Description:

The City maintains fully insured medical insurance coverage for current retired employees (and eligible dependents). 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 one of the City-sponsored state retirement programs. The retirees are required to contribute a portion of the premium, depending on the medical plan option. Surviving spouses of retirees are eligible to continue coverage.

Benefit provisions are established by the City. The medical plan does not issue a publicly available financial report.

Funding Policy:

Currently, the City pays for and reports retiree medical insurance benefits on a "pay-as-you-go" basis, which is the practice of paying for the benefits as they become due. The retirees are required to contribute a portion of the premium rate, depending on the medical plan option.

Annual Required Contribution (the "ARC"):

The City's annual OPEB cost (expense) is calculated based on the ARC of the employer. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

NOTES TO FINANCIAL STATEMENTS

Annual OPEB Cost and Net OPEB Obligation:

The following table shows the components of the City's annual OPEB cost for the recent two fiscal years, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the medical plan:

	<u>Year Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Annual required contribution	\$ 686,118	\$ 686,117
Adjustment to annual required contribution	(50,046)	(44,240)
Interest on adjustment to net OPEB obligation	49,028	43,341
Annual OPEB cost	<u>\$ 685,100</u>	<u>\$ 685,218</u>
Contributions made	<u>(572,577)</u>	<u>(522,730)</u>
Increase in net OPEB obligation	\$ 112,523	\$ 162,488
Net OPEB obligation - beginning	<u>1,400,792</u>	<u>1,238,304</u>
 Net OPEB obligation - ending	 <u>\$ 1,513,315</u>	 <u>\$ 1,400,792</u>

The table below shows the City's annual post employment benefits cost, percentage of the cost contributed, and the net unfunded post employment benefits liability:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual OPEB</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2015	625,001	77.7%	1,238,304
2016	685,218	76.3%	1,400,792
2017	685,100	83.6%	1,513,315

Funded Status:

As of July 1, 2015, the actuarial accrued liability for benefits was \$12,174,841, all of which was unfunded; therefore, the plan had no assets and had a funded ratio of zero. The covered payroll (annual payroll of active employees covered by the plan) was \$3,065,657, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 397.1%. The City uses the "entry-age normal" actuarial cost method.

NOTES TO FINANCIAL STATEMENTS

Funding Progress:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ -	\$ 11,709,985	\$ 11,709,985	0.0%	\$ 3,777,348	310.0%
July 1, 2013	\$ -	\$ 10,665,292	\$ 10,665,292	0.0%	\$ 3,271,875	326.0%
July 1, 2015	\$ -	\$ 12,174,841	\$ 12,174,841	0.0%	\$ 3,065,657	397.1%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented above presents multi-trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions:

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

Note 13. On-Behalf Payments for Salaries

For the year ended June 30, 2017, the City recognized revenue and expenditures of \$11,667, \$174,551, and \$112,367 in salary supplements from State of Louisiana paid to employees of the administrative, police, and fire departments, respectively.

Note 14. Operating Leases

As of June 30, 2017, the City had entered into 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.

NOTES TO FINANCIAL STATEMENTS

Note 15. 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, 2017 was \$1,029,952.

On June 12, 2017, the agreement was amended to extend the contract for one year with a 3.0% decrease in both the annual fee and the additional maintenance and repair limit fee. All other terms of the agreement remain unmodified and in full force and effect.

Note 16. 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 17. Contingencies and Risk Management

As of the date of this report, there were pending or threatening litigation suits involving the City.

One suit challenges the City's method of fixing and maintaining salary differentials among the various ranks of firefighters. At present, there has been a judgment against the City mandating that the City establish and follow the proper payroll protocol. However, legal counsel to the City assesses that it does not appear that any monies are due and owing. The matter is still pending in the court.

Another lawsuit attempts to force the sale of property that the City has an adjudicated deed to. The case is dormant and the City has filed preliminary motions to dispose of the case but such motions have not been heard as of the date of this report.

NOTES TO FINANCIAL STATEMENTS

Formal demands have been made for the payment from Flying Tiger Aviation, LLC for \$192,116 of fuel cost recorded as a receivable in the government-wide financial statements but not the fund financial statements. At present, the owners of the LLC have sought bankruptcy protection from the federal court. The outstanding money due is listed as a debt of the estate. The City is currently petitioning to be placed on the creditor's committee.

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, 2017 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 18. Subsequent Event

The State Bond Commission, State of Louisiana, approved in August 2017 the City incurring debt and issuing not to exceed \$1,000,000 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 August 24, 2017. The notes mature with interest thereon not to exceed 1.97% per annum no later than March 1, 2018.

Note 19. Event Subsequent to the Date of the Independent Auditor's Report (unaudited)

The City received a notice of noncompliance dated December 19, 2017 from Louisiana Economic Development ("LED") concerning the cooperative endeavor agreement that the City entered into with Flying Tiger Aviation, LLC effective October 17, 2014. On October 2, 2017, LED was informed by the City that the LLC had ceased operations in July 2017. As a result, the LLC and the City have failed to meet their obligations of the agreement. The LLC and the City have 30 days to settle the principal and interest defaults totaling \$409,157 with interest continuing to accrue daily. If the defaults are not settled in 30 days, the agreement will be terminated and the obligation to repay will be accelerated becoming due within 30 days of the termination date.

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 8,480,237	\$ 8,137,467	\$ 8,165,500	\$ 28,033
Licenses and permits	506,568	526,773	526,396	(377)
Intergovernmental	2,676,268	1,814,464	1,798,479	(15,985)
Fees, charges, and commission for services	333,860	350,303	352,495	2,192
Fines and forfeitures	98,700	80,150	71,522	(8,628)
Interest and miscellaneous	408,621	361,726	372,485	10,759
Total revenues	<u>\$ 12,504,254</u>	<u>\$ 11,270,883</u>	<u>\$ 11,286,877</u>	<u>\$ 15,994</u>
Expenditures:				
Current:				
General government	\$ 3,605,971	\$ 3,265,582	\$ 2,547,934	\$ 717,648
Public safety	5,550,236	4,840,343	4,905,419	(65,076)
Public works	1,876,235	1,883,733	1,834,241	49,492
Sanitation	1,272,500	1,367,533	1,282,274	85,259
Economic development	10,000	10,000	10,000	-
Debt service:				
Principal	1,672,402	1,172,678	1,189,353	(16,675)
Interest and fiscal charges	-	-	10,110	(10,110)
Capital outlay	-	2,593	432,469	(429,876)
Total expenditures	<u>\$ 13,987,344</u>	<u>\$ 12,542,462</u>	<u>\$ 12,211,800</u>	<u>\$ (330,662)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over expenditures	\$(1,483,090)	\$(1,271,579)	\$(924,923)	\$ 346,656
Other financing sources:				
Revenue anticipation note proceeds	<u>1,500,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Net change in fund balance	\$ 16,910	\$(271,579)	\$ 75,077	\$ 346,656
Fund balance - beginning	<u>3,725,956</u>	<u>4,093,053</u>	<u>4,093,053</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,742,866</u>	<u>\$ 3,821,474</u>	<u>\$ 4,168,130</u>	<u>\$ 346,656</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 150,000	\$ 92,110	\$ 92,110	\$ -
Fees, charges, and commissions for services	1,037,000	1,070,000	1,035,524	(34,476)
Interest and miscellaneous	3,500	8,440	9,618	1,178
Total revenues	<u>\$ 1,190,500</u>	<u>\$ 1,170,550</u>	<u>\$ 1,137,252</u>	<u>\$(33,298)</u>
Expenditures:				
Current:				
Sanitation	\$ 1,065,487	\$ 503,105	\$ 198,821	\$ 304,284
Debt service:				
Principal	587,280	623,015	485,000	138,015
Interest and fiscal charges	-	-	138,015	(138,015)
Capital outlay	387,872	636,638	826,643	(190,005)
Total expenditures	<u>\$ 2,040,639</u>	<u>\$ 1,762,758</u>	<u>\$ 1,648,479</u>	<u>\$ 114,279</u>
Net change in fund balance	\$(850,139)	\$(592,208)	\$(511,227)	\$ 80,981
Fund balance - beginning	<u>3,009,753</u>	<u>4,447,062</u>	<u>4,447,062</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,159,614</u>	<u>\$ 3,854,854</u>	<u>\$ 3,935,835</u>	<u>\$ 80,981</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 990,000	\$ 990,000	\$ 974,482	\$ (15,518)
Interest and miscellaneous	1,688	7,000	7,623	623
Total revenues	<u>\$ 991,688</u>	<u>\$ 997,000</u>	<u>\$ 982,105</u>	<u>\$ (14,895)</u>
Expenditures:				
Current:				
Public works	\$ 2,031,169	\$ 417,400	\$ 409,637	\$ 7,763
Debt service:				
Principal	74,169	573,000	510,000	63,000
Interest and fiscal charges	76,700	-	117,329	(117,329)
Capital outlay	120,000	11,200	10,529	671
Total expenditures	<u>\$ 2,302,038</u>	<u>\$ 1,001,600</u>	<u>\$ 1,047,495</u>	<u>\$ (45,895)</u>
Net change in fund balance	\$(1,310,350)	\$(4,600)	\$(65,390)	\$(60,790)
Fund balance - beginning	<u>8,922,438</u>	<u>5,693,546</u>	<u>8,901,899</u>	<u>3,208,353</u>
Fund balance - ending	<u>\$ 7,612,088</u>	<u>\$ 5,688,946</u>	<u>\$ 8,836,509</u>	<u>\$ 3,147,563</u>

CITY OF BASTROP, LOUISIANA

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

	<u>Year Ended June 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
MERS:			
Proportion of net pension liability	0.69%	0.69%	0.72%
Proportionate share of net pension liability	\$ 2,760,830	\$ 2,462,877	\$ 1,839,348
Covered employees' payroll	\$ 1,191,340	\$ 1,169,721	\$ 1,202,986
Proportionate share of net pension liability as a percentage of covered employees' payroll	231.74%	210.55%	152.90%
Plan fiduciary net position as a percentage of total pension liability	62.11%	66.18%	75.45%
MPERS:			
Proportion of net pension liability	0.28%	0.27%	0.32%
Proportionate share of net pension liability	\$ 2,628,944	\$ 2,116,084	\$ 2,000,320
Covered employees' payroll	\$ 782,139	\$ 722,533	\$ 847,895
Proportionate share of net pension liability as a percentage of covered employees' payroll	336.12%	292.87%	253.92%
Plan fiduciary net position as a percentage of total pension liability	66.04%	70.73%	75.10%
FRS:			
Proportion of net pension liability	0.53%	0.51%	0.47%
Proportionate share of net pension liability	\$ 3,451,419	\$ 2,758,961	\$ 2,095,869
Covered employees' payroll	\$ 1,183,572	\$ 1,086,380	\$ 963,303
Proportionate share of net pension liability as a percentage of covered employees' payroll	291.61%	253.96%	217.57%
Plan fiduciary net position as a percentage of total pension liability	68.16%	72.45%	76.02%

CITY OF BASTROP, LOUISIANA

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years

MERS:	Year Ended June 30,		
	2017	2016	2015
Contractually required contribution	\$ 237,643	\$ 232,408	\$ 225,768
Contributions in relation to contractually required contribution	<u>237,643</u>	<u>232,408</u>	<u>225,768</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 1,191,340	\$ 1,169,721	\$ 1,202,986
Contribution as a percentage of covered employees' payroll	19.95%	19.87%	18.77%
MPERS:			
Contractually required contribution	\$ 231,782	\$ 227,601	\$ 263,017
Contributions in relation to contractually required contribution	<u>231,782</u>	<u>227,601</u>	<u>263,017</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 782,139	\$ 722,533	\$ 847,895
Contribution as a percentage of covered employees' payroll	29.63%	31.50%	31.02%
FRS:			
Contractually required contribution	\$ 324,213	\$ 317,766	\$ 272,133
Contributions in relation to contractually required contribution	<u>324,213</u>	<u>317,766</u>	<u>272,133</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 1,183,572	\$ 1,086,380	\$ 963,303
Contribution as a percentage of covered employees' payroll	27.39%	29.25%	28.25%

OTHER SUPPLEMENTARY INFORMATION

CITY OF BASTROP, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION

As of and for the Year Ended June 30, 2017

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.

Arthur Jones, Mayor	\$ 84,328
Robert Shaw, Alderman	10,687
Roy A. Armstrong, Alderman	10,687
Obbie Johnson, Alderman	10,687
Howard D. Loche, Alderman	10,687
Marvin M. Moore, Alderman	<u>10,687</u>
Total mayor's and aldermen's compensation	<u>\$ 137,763</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
As of and For the Year Ended June 30, 2017

Agency Head Name: Arthur Jones, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 76,851
Benefits- health insurance	1,828
Benefits- spouse's health insurance	1,200
Travel and convention	2,139
Auto allowance	<u>7,477</u>
Total compensation, benefits, and other payments to agency head	<u>\$ 89,495</u>

HILL, INZINA & COMPANY

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, 2017, 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 14, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that is described in the accompanying schedule of findings and questioned costs as items 2017-1, 2017-2, and 2017-3 that we consider to be significant deficiencies.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 14, 2017

CITY OF BASTROP, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
As of and for the Year Ended June 30, 2017

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, 2017, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2017. 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, 2017 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

2017-1 Inadequate Segregation of Duties (initial citing as of and for the ended June 30, 1985)

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

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's
response and
planned cor-
rective action:

We concur with the finding but it is not economically feasible for corrective action to be taken.

2017-2 Personnel Related Policies and Issues (initial citing as of and for the 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, but not be limited to, (1) requiring all employees to complete simple time reports to document hours worked, (2) requiring that the time reports be approved by the appropriate supervisor, and (3) maintaining simple records to account for vacation and sick leave earned and taken by employees.

Travel policies relative to employees should provide specific guidance as to what is allowable relating to business, conference, and seminar travel. Travel should be done only when necessary and when such travel benefits the City.

Condition:

While performing various audit procedures, it was noted that the previous mayor approved one employee not completing a time report but for the employee to be paid 80 hours per bi-weekly pay period.

During various pay periods during the year ended June 30, 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.

The auditor was informed by reliable sources that on occasion, employees used publicly owned vehicles and equipment for personal use both during regular work hours and on weekends. Upon request by the current mayor, one employee reimbursed the City for supplies used for repairs on personal property. A lot cleaning fee included on this same employee's property tax notice was abated by the previous mayor.

Only a few managerial employees are allowed to maintain written time records while all others, except for the one employee mentioned in the first paragraph of this section, utilize a time clock. A few employees required to use the time clock did not consistently punch in and out.

Cause: City's management has become lax in enforcing its policies and procedures.

Effect: The City is exposed to the risk of payroll fraud and noncompliance with Article VII, Section 14 of the 1974 Louisiana Constitution.

Recommendation: City's management should consider the need to revisit and possibly revise or add to the existing policies and procedures. Thereafter, strict adherence should be required with strong consequences for noncompliance.

Management's response and planned corrective action:

The previous mayor contended that the only City employee not required to complete a time report was salaried and should not be required to do so.

There are more than one employee that is not working the minimum hours per week to be eligible for benefits. This issue will be discussed with each affected employee.

Employees will only be paid leave time permitted by the policies and procedures.

The City will contact outside consultants with knowledge regarding the provision of benefits to employees who may not always work the required minimum hours per week to be eligible for the benefits.

Employees will not be allowed to use publicly owned property for personal reasons and will be required to pay the same assessments as all other taxpayers.

Policies addressing the consequences of not consistently punching in and out on the time clock will be adopted and posted by the time clock.

2017-3 Inventory (initial citing as of and for the year ended June 30, 2016)

Criteria: Inventory used at the City's garage is initially charged to the "departmental charges" expense account when purchased. Then as items are used, the related expense is charged directly to the department and function for which used. At each fiscal year end, an inventory report is ran of the inventory items purchased but not yet charged.

Condition: Management of the City is still of the opinion that the inventory is not properly maintained and accounted for.

Mechanics and other employees are allowed to go into the garage inventory room alone without the presence of the purchasing agent or assistant.

Cause: City's management has become lax in enforcing its policies and procedures.

Effect: City's management has increased the risk of inventory items being stolen, lost, or accounted for improperly.

Recommendation: City's management should consider the need to revisit and possibly revise or add to the existing policies and procedures. Thereafter, strict adherence should be required with strong consequences for noncompliance.

Management's response and planned corrective action:

The City will secure the inventory room and inventory not kept in the room due to space limitations. Limited employees will be given keys to the new locks that will be purchased. All employees will be allowed to access the inventory only when accompanied by the purchasing agent or assistant.

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, 2017

Section II - Financial Statements Findings

2016-1 Inadequate Segregation of Duties

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

Unresolved - 2017-1.

2016-2 Noncompliance with Local Government Budget Act

The governing authority should be notified in writing when budget amendments are needed. Budgeted expenditures of a fund should not exceed the total estimated funds.

No longer applicable.

2016-3 Personnel Related Policies and Issues

It is important that controls over payroll are in place and working properly. Travel should only occur when necessary and when such benefits the City.

Unresolved - 2017-2.

2016-4 Inventory

Reports showed inventory remaining that had not been charged out to the departments but the physical inventory records did not substantiate that.

Unresolved - 2017-3.

Section III - Management Letter

None issued.

HILL, INZINA & COMPANY

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, 2016 through June 30, 2017. 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

1. Obtain the City's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the City does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
**The City had written policies and procedures addressing preparing, adopting, monitoring, and amending budgets for the General and Special Revenue Funds.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

**The City had written policies and procedures addressing a purchase order system but not how vendors are added to the vendor list, controls ensuring compliance with the public bid law, and documentation required to be maintained for all bids and price quotes.

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

**The City had written policies and procedures addressing processing, reviewing, and approving disbursements.

d) **Receipts**, including receiving, recording, and preparing deposits

**The City had written policies and procedures addressing receiving, recording, and preparing deposits.

e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

**The City had written policies and procedures addressing payroll processing, reviewing, and approving payroll/personnel.

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

**The City had written policies and procedures addressing contracting, legal review, and approval.

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

**The City had written policies and procedures dated June 1, 2017 addressing the control, allowable business uses, documentation requirements, approval, and monitoring of credit cards.

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

**The City had written policies and procedures addressing travel advances, expense reimbursement, authorizations, and allowances.

i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees annually attest through signature verification that they have read the City's ethics policy.

**The City had written policies and procedures dated June 1, 2017 relative to ethics that addressed prohibitions, actions to be taken, and a system to monitor but no requirement that all employees annually attest that they have read the policy.

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

**The City had no written policies and procedures addressing debt service.

Board of Aldermen and Finance Committee

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

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

**The Board of Aldermen and Finance Committee (one in the same) meets at least monthly.

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

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

**The minutes of the meetings did not reference or include monthly budget-to-actual comparisons on the General Fund and all major funds.

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

**The minutes of the regular meeting held on February 9, 2017 referenced approval to pay bills and the approval of a sewer improvement contract.

Bank Reconciliations

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

**Management of the City provided a listing of the bank accounts and representation that the listing was complete.

4. Using the listing provided by management, select all the City's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

**Monthly bank reconciliations were prepared for the selected bank accounts.

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

**There was no evidence that a member of management or a board member reviewed any of the bank reconciliations.

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

**None of the reconciliations had reconciling items that had been outstanding for more than six months as of the end of the fiscal period.

Collections

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

**Management of the City provided a listing of the cash collection locations and representation that the listing was complete

- 6. Using the listing provided by management, select all of the City's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five locations). For each cash collection location selected:

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

**A statement provided by the City's insurance carrier provided evidence that each person responsible for collecting cash was bonded. All employees are involved in collecting, depositing, recording, and reconciling at the main collection site at the City Clerk's office and all use the same cash drawer.

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

**The City had no formal, written process to reconcile cash collections by a person who is not responsible for cash collections.

**Sequentially numbered receipts are provided for a receipt to be written for all monies received whether by cash, check, or electronic payment but all employees use the same receipt books and are responsible for collections.

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

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

**The highest dollar week of collections was the last week of December 2016. All deposits were made within one day of collection except for:

Ten individual deposits were made two days after collection but eight of these were made two days after because City Hall was closed for a holiday whereas the bank was not.

Two deposits were made three days after collection again taking into consideration that City Hall was closed one of these days.

The majority of collections at all of the other collection sites during this week were not deposited within one banking day. These sites turned their collections into the City Clerk's office at irregular intervals with that office being responsible for the ultimate deposit.

**One page consisting of four receipts was missing from the receipt book of one of the other collection sites.

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

**All deposits were documented with sequentially numbered receipts, included in the applicable master "deposit history report", and traced to actual bank deposits.

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

**The City has no process specifically defined to determine completeness of all collections by a person who is not responsible for collections.

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

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

**The City provided detailed general ledgers for all accounts and a detailed check register for the General Fund's master checking account. The City also provided representation that the general ledger populations and check register were complete.

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

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

**Purchases, as applicable, were initiated using a requisition/purchase order system for the selected disbursements.

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

**All purchase orders were actually issued and approved by the purchasing agent or the assistant after receiving a requisition. The employee issuing the purchase orders signed them and documented which employee they were given.

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

**Payments for purchases, as applicable, were not processed without an approved requisition and/or purchase order, a receiving report, and an approved invoice.

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

**The persons responsible for processing payments are not prohibited from adding vendors to the system.

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

**Employees with signatory authority or who make the final authorization for disbursements did have responsibility for initiating and recording purchases.

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

**The supply of unused checks was maintained in a locked vault at night but during work hours, all employees of the City Clerk's office (some who also had signatory authority) had access to the vault.

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

**The two signature stamps were not maintained under the signers' control but were used with the signers' knowledge and consent. Signed checks were not maintained under the signers' and/or users' control until mailed but kept in the vault accessible to all employees of the City Clerk's office during working hours.

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

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

**The City provided a listing of all active credit and fuel cards and representation that the listing was complete.

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

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

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

**The monthly statements are approved for payment, in writing, by the adoption of a resolution approving the payment of bills and claims at each monthly board meeting. All supporting documentation was not reviewed and approved, in writing, by someone other than the authorized card holder.

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

**No finance charges and/or late fees were assessed on the selected statements.

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

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

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

**All statements selected had original itemized receipts that precisely identified what was purchased except original receipts were not retained for the fuel purchases, only the itemized/detailed statements.

**No receipts or statements had specific documentation of the business/public purpose but such was obvious from the itemized receipts and fuel card statements except for \$388 spent at Sam's Club for food items and approximately \$17,000 for airfare to and hotel rooms in Sacramento. None were for meal charges.

**Requisitions were not issued for two purchases made for supplies to be placed in inventory. One purchase was made by the same employee that issued the requisition. Four purchases were made by the same employee that issued the purchase order.

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

**None of the transactions examined were subject to the Louisiana Public Bid Law.

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

**Upon examination of the documentation provided for the selected disbursements, none appeared to be in violation of Article 7, Section 14 of the Louisiana Constitution except for \$388 spent at Sam's Club for a youth sports banquet and approximately \$17,000 spent for a youth sports team to travel to Sacramento.

Travel and Expense Reimbursement

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

**The City provided a listing of all travel and related expense reimbursements, by person, and representation that the listing was complete.

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

**The City's written policies and procedures addressing travel and expense reimbursement specifically stated that GSA rates would not be exceeded.

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

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

**The Mayor was prepaid full per diem meal rates for two days while he was traveling and for four meals that were provided at a conference. On the same trip, he was prepaid per diem mileage while the City paid him a monthly allowance for the use of his personal vehicle.

**The Mayor's secretary was prepaid the per diem meal rate for one meal that was served at a conference. Hotel rooms while attending this conference exceeded the GSA rate by \$20 per night.

**Taxes along with a restaurant room charge were paid on hotel rooms.

**An employee was prepaid 56 cents per mile while others in that time frame were only prepaid 54 cents per mile.

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

**Original itemized receipts and documentation identified precisely what was purchased, the business/public purpose, authorization for travel, and attendance verification.

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

**Upon examination of the documentation provided for the selected disbursements, none appeared to be in violation of Article 7, Section 14 of the Louisiana Constitution, except as noted in a) directly above.

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

**Two of the three prepayments were reviewed and approved, in writing, by someone other than the person receiving the prepayment. No one signed the third prepayment as approving the Mayor's prepayment.

Contracts

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

**The City provided a listing of all contracts in effect during the fiscal period and representation that the listing was complete.

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

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

**Formal/written contracts that supported the service arrangement and fees were examined for each of the five contracts.

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

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

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

**Two of the contracts were for construction and the City complied with all legal requirements.

**Two of the five contracts were for professional services with no quotes solicited. The City has been doing business with these vendors for years and is well satisfied with the services they provide. Another of the contracts was for fuel. Again, the City has used these services for years and the contract is automatically renewed from year to year unless either party request otherwise.

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

**None of the contracts were amended.

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

**The five invoices and related payments complied with the terms and conditions of the contracts.

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

**The Board of Aldermen did approve all of the contracts except for the one that is renewed automatically from year to year unless either party request otherwise.

Payroll and Personnel

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

**The City provided a listing of employees with their related salaries and representation that the listing was complete.

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

**All payments were made in strict accordance with the pay rate structure but one. A written memo from the department head was in one employee's personnel file approving longevity pay but a specific rate was not documented.

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

**Changes made to rates/salaries during the fiscal period were approved in writing and in accordance with policy.

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

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

**The selected employees documented their daily attendance and leave.

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

**All attendance and leave records of the selected employees did not have written documentation that supervisors approved. None of the records had written justification for overtime and compensatory time earned.

**Also noted while performing these procedures was that there was not a formally appointed public works director during the fiscal period to approve any transactions associated with that department. One employee was hired to work six hours daily (legally considered part-time) but his first week of employment, his supervisor approved paying him six hours holiday pay and the employee earning 10.50 hours of compensatory time. This same employee did not punch the time clock as required.

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

**The City did maintain written leave records on the selected employees. Two of the four reports were not approved in writing by the department head.

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

**The City provided a listing of employees/officials terminated during the fiscal period and representation that the listing was complete. The termination payments made to two employees were made in strict accordance with policy and their pay rate structures. Both were approved in writing by the Mayor.

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

**Payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines except that \$8,551 and \$3,980 of penalties and interest were paid relative to the September 30, 2016 and March 31, 2017 quarters, respectively.

Ethics (excluding nonprofits)

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

**The City maintained ethics compliance documentation demonstrating that required ethics training was completed.

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

allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

**Possible ethics violations were reported in the City's current and previous fiscal year audits. Management of the City also informed that they were aware of current ongoing investigations by the Louisiana Board of Ethics relating to other matters.

Debt Service (excluding nonprofits)

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

**The City did issue a revenue anticipation note and obtained approval from the Louisiana State Bond Commission.

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

**The City did have outstanding debt during the fiscal period, made scheduled debt service payments, and maintained required debt reserves.

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

**During the fiscal period, the City had no tax millages relating to debt service.

Other

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

**Possible misappropriations of public funds or assets were reported in the City's current and previous fiscal year audits. Management of the City did not directly report the possible misappropriations and ethics violations to the legislative auditor and the district attorney.

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

**The City had posted the required notice on its premises and website.

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

****No exceptions regarding management's representations in the procedures above were noted.**

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,

December 14, 2017



City of Bastrop
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Bastrop, Louisiana 71221-0431
Phone: (318) 283-0250
Fax: (318) 283-3335

December 28, 2017

Hill and Inzina Company
701 East Madison
Bastrop, Louisiana 71220

Re: Audit 2016-2017 Responsedence

Dear Ms. Haynes:

We would like to respond to the findings of the policies and procedures for the audit 2016-2017. We will amend our policies and procedures as followed:

1. City's written policies and procedures.
 - a. Budgets – We concur.
 - b. Purchasing – We will address how vendors are added to the vendor list, controls ensuring compliance with the public bid law, and documentation required to be maintained for all bids and price quotes.
 - c. Disbursements – We concur.
 - d. Receipts – We concur.
 - e. Payroll/Personnel – We concur.
 - f. Contracting – We concur.
 - g. Credit Cards (and debit cards, fuel cards, P-Cards) – We concur.
 - h. Travel and expense reimbursement – We concur.
 - i. Ethics – We will place in the policy that will require all employees read the policy annually.

- j. Debt Service – We will develop the debt service policy for (debt issuance approval, EMMA reporting, debt reserve requirements and debt service requirements).
2. Obtain and review the board minutes for the fiscal period, and:
 - a. Monthly Council Meeting - We concur.
 - b. Monthly Budget to Actual Comparisons - Mayor Cotton and Council receives a budget to actual comparisons of all City funds every month. Starting our January 11, 2018 council meeting, we will add to our agenda "Budget Report" and will continue for each meeting.
 - c. Minutes referenced and included non-budgetary financial information. We concur.
3. Listing of the City's bank accounts - We concur.
4. Bank Accounts and reconciliations
 - a. Bank Reconciliations – We concur.
 - b. Bank reconciliations reviewed by management or a councilman – We will have Mr. Robert Shaw, Finance Chairman review each month all city bank accounts.
 - c. Outstanding Reconciling – We concur.
5. Cash/Check/Money order collection locations. We concur.
6. City's cash collection locations.
 - a. Insurance and bonded – We concur.
 - b. The City will have a policy for written process to reconcile cash collections by a person who is not responsible for cash collections.
 - c. Highest dollar week of cash collections. We concur.
7. Written policy of all collections, electronic transfers for each revenue source – We will develop a policy that addresses the collections, annual and monthly sewer use fee and traffic ticket number sequences.
8. Listing of city's disbursements – We concur.
9. Disbursements – We concur.
10. Adding vendors to city's purchasing/disbursement system – We will address how vendors are added to the vendor list.
11. Signatory authority/final authorization - Not feasible,
12. Unused checks – We concur.

13. Signature stamp – We will purchase a lock box for the signature stamp that the City Clerk and Assistant City Clerk will have the only keys.
14. Credit cards/debt cards/fuel cards/P-cards – We concur.
15. Listing of credit cards – We concur.
16. Credit card statements
 - a. The City will review our policy on our “Track Program” to ensure that no city money is spent for travel out of town. We will review the purchasing policy and make the necessary change to address purchase of inventory supplies.
 - b. Transactions – We concur.
 - c. Sports Banquet – We concur with the finding related to the \$388 sports banquet expense and it will not happen again. Sandra Goleman, City Clerk advised the Park & Recreation Dept. that this type of activity will not be paid for again by the City. The \$17,000 was actually deposited by the City before the checks were written to American Express and Comfort Suite for the track met. Sandra Goleman, City Clerk also advised the Park & Recreation Dept. that this type of activity will not be paid for again by the City.
17. List of Travel – We concur.
18. Travel and expense reimbursements – We concur.
19. Travel expense
 - a. We will review our travel policy and address per diem for meals, mileage, taxes and any restaurant room charges.
 - b. Travel Support – We concur.
 - c. Documentation of business – We concur.
 - d. Expense reviewed and approved – We concur.
20. Listing of Contracts – We concur.
21. Contracts – We concur.
22. Payroll & Personnel
 - a. Salaries/Longevity Pay – We concur.
 - b. Salaries Changes – We concur.
23. Attend & Leave Records
 - a. Documented Attendance – We concur.

- b. Supervisors approved – The city will amend our payroll policy to address supervisor’s approval of all attendance and leave records, written justification for overtime and compensatory time earned. Also, Dianne Lenoir, Chief of Operations will double check the leave report for each payroll period.
 - c. Written documentation of leave records – We concur.
- 24. Employees Terminated – We concur.
 - 25. Payroll Taxes – The City will complete quarterly federal tax reports on time.
 - 26. Ethics – We concur.
 - 27. Ethics Reporting – When Mayor Henry Cotton took office July 1, 2017, he was aware of possible ethics violations. He met with the employee and asked him to pay for the cold mix. Employee resigned.
 - 28. Debt Service (RAN) – We concur.
 - 29. Outstanding Debt – We concur.
 - 30. Tax millages relating to debt – We concur.
 - 31. Misappropriations of public funds – We concur.
 - 32. Reporting of Misappropriation – The City has posted and it is on the city’s website.
 - 33. Management’s representations – We concur.

Sincerely,

Henry C. Cotton
Mayor