

CITY OF FRANKLIN, LOUISIANA

Financial Report

Year Ended April 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Honorable Raymond Harris, Jr., Mayor
 and Members of the City Council
 City of Franklin, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Louisiana (hereinafter, "City"), as of and for the year ended April 30, 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 did not audit the financial statements of the City Court of the City of Franklin and the Ward Three Marshal of the Parish of St. Mary. Those statements were reviewed by other Certified Public Accountants whose reports have been furnished to us, and our opinion, insofar as it relates to the City Court of the City of Franklin and the Ward Three Marshal of the Parish of St. Mary, is based solely on the reports of the other Certified Public Accountants. 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.

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

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

Opinions

In our opinion, based on our audit and the reports of other Certified Public Accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of April 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of proportionate share of net pension liability, and the schedules of contributions related to pensions on pages 4 – 15, 85 – 87, 88 – 91, and 92 – 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, the schedule of changes in assets related to 2000 water and sewer revenue bond debt service, the schedule of changes in assets related to 2009 water and sewer revenue bond debt service, the schedule of sewerage rates and billings, the schedule of water rates and billings, and the schedule of insurance in force are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of changes in assets related to 2000 water and sewer revenue bond debt service, and the schedule of changes in assets related to 2009 water and sewer revenue bond debt service are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of changes in assets related to 2000 water and sewer revenue bond debt service, and the schedule of changes in assets related to 2009 water and sewer revenue bond debt service are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of sewerage rates and billings, the schedule of water rates and billings, and the schedule of insurance in force have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Darnall, Sikes, Gardes & Frederick
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana
October 9, 2017

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

As management of the City of Franklin, Louisiana (hereinafter "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 April 30, 2017. This Management's Discussion and Analysis (hereinafter "MD&A") 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.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplementary Information that is provided in addition to this MD&A.

FINANCIAL HIGHLIGHTS

The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$11,138,441 (net position) for the fiscal year reported. This is a \$125,445 decrease compared to last year's \$11,263,886. The total net position of the entire City is comprised of the following:

1. Capital assets of \$15,096,253 which include property and equipment, net of accumulated depreciation and reduced for outstanding debt of \$4,559,035 related to the purchase or construction of capital assets. \$1,635,785 of the outstanding debt is a lease-purchase arrangement for an electronic water metering system in the business-type activity of the City.
2. Restricted net position of \$515,932 which includes \$342,064 for Debt Service, \$141,013 related to Special Revenue Funds, and \$32,855 for Perpetual Care.
3. Unrestricted net position of \$85,291 represents the portion available to maintain the City's continuing obligations to the citizens and creditors.

The above financial highlights are explained in more detail in the financial "analysis" section of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The presentation of the City's financial statements is comprised of three elements: 1) government-wide financial statements; 2) individual fund financial statements; and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves. The report should be read completely to get an accurate understanding of the significance of the various financial elements that affect the City of Franklin.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term data about the City's overall financial position. Financial reporting at this level uses a perspective similar to that of the private sector with its basis in accrual accounting and reclassification of activities between funds.

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

The first statement of the government-wide financial statements is the Statement of Net Position. This statement presents data on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the calculated result reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The second of the government-wide financial statements is the Statement of Activities. The focus of the Statement of Activities is to reflect the gross and net cost of various activities and services that are provided by the government's general tax and other revenues. The statement also presents data showing how the City's net position changed during the current fiscal year as a result of these activities. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows; therefore, revenues and expenses are reported in this statement for some items that will result in cash inflows and outflows in future periods.

Both government-wide financial statements highlight the basic activities of the City which are principally supported by sales taxes, ad valorem taxes, and franchise taxes (governmental activities); those services that derive their income from business-type activities that are intended to recover all or a significant portion of its costs through user fees and charges; and those activities of two discretely presented component units.

Governmental activities include general government administration, public safety, streets and drainage, culture and recreation, sanitation services, urban redevelopment and housing, and economic development and assistance.

The only business-type activity in which the City engages is a water purification and distribution system. The City bills the recipients of the water that is produced by said system on a monthly basis.

The two component units are described in Note 1 to the Financial Statements of this report.

The government-wide financial statements are presented on pages 17 - 20 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with related laws and regulations. Fund financial statements focus on each of the City's most significant funds rather than the City as a whole. Major funds are separately reported while nonmajor funds are combined in single and/or aggregated presentations. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements; however, fund statements provide a distinctive view of the City's governmental funds. These statements report on short-term fiscal activities focusing on the use of available resources and on the balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating annual financing requirements of governmental programs and the commitment of available resources for the near term.

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for *governmental funds* with the similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation which facilitates the evaluation of the relationship of *governmental funds* to *governmental activities*.

The basic governmental fund financial statements are presented on pages 21 – 25 of this report.

Proprietary funds are reported in the fund financial statements and report services for which the City charges customers a fee. The one City proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. The service that is provided to the City's enterprise customers is for water purification and distribution services.

The enterprise fund financial statements are presented on pages 26 – 30.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide data essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements are presented on pages 31 – 83.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary data concerning the City's budgetary presentations and net pension liability. Budgetary comparison schedules are included as "required supplementary information" for the General Fund and the Liquid and Solid Waste Fund. These schedules demonstrate compliance with the City's adopted and final amended budget. Schedules of proportionate share of net pension liability and Schedules of contributions are included as "required supplementary information" for each retirement system that the City provides to its employees. These schedules demonstrate compliance with GASB Statement No. 68. Required supplementary information can be found on pages 85 – 98 of this report.

Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for Nonmajor Funds are presented on pages 100 – 103 of this report.

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CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as an indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,138,441 at April 30, 2017. The following is a summary of the City's net position and the factors affecting net amount.

CITY OF FRANKLIN, LOUISIANA
Condensed Statements of Net Position
April 30, 2017, 2016, and 2015

	Governmental Activities			Business-type Activities			Totals		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Assets:									
Current Assets	\$ 5,157,306	\$ 5,154,676	\$ 5,443,617	\$ (1,181,755)	\$ (1,289,425)	\$ (1,344,505)	\$ 3,975,551	\$ 3,865,251	\$ 4,099,112
Restricted Assets	-	-	-	913,967	819,774	864,943	913,967	819,774	864,943
Capital Assets	9,624,130	9,978,047	10,585,731	5,472,123	4,043,958	4,216,967	15,096,253	14,022,005	14,802,698
Total Assets	14,781,436	15,132,723	16,029,348	5,204,335	3,574,307	3,737,405	19,985,771	18,707,030	19,766,753
Deferred Outflows of Resources	1,727,148	1,358,845	-	280,236	251,433	-	2,007,384	1,610,278	-
Liabilities:									
Current Liabilities Payable From	\$ 595,736	\$ 724,874	\$ 710,004	\$ 387,923	\$ 327,705	\$ 339,388	\$ 983,659	\$ 1,052,579	\$ 1,049,392
Restricted Assets	17,028	20,475	24,638	298,428	283,649	283,134	315,456	304,124	307,772
Long-term Liabilities	5,816,653	5,349,165	1,864,450	3,419,534	2,030,243	1,423,000	9,236,187	7,379,408	3,287,450
Total Liabilities	6,429,417	6,094,514	2,599,092	4,105,885	2,641,597	2,045,522	10,535,302	8,736,111	4,644,614
Deferred Inflows of Resources	270,549	273,864	8,647	48,863	43,447	-	319,412	317,311	8,647
Net Position:									
Net Investment in Capital Assets	8,036,880	8,161,691	8,534,445	2,500,338	2,620,958	2,708,967	10,537,218	10,782,649	11,243,412
Restricted	351,346	386,286	380,395	164,586	138,118	111,943	515,932	524,404	492,338
Unrestricted	1,420,392	1,575,213	4,506,769	(1,335,101)	(1,618,380)	(1,129,027)	85,291	(43,167)	3,377,742
Total Net Position	\$ 9,808,618	\$ 10,123,190	\$ 13,421,609	\$ 1,329,823	\$ 1,140,696	\$ 1,691,883	\$ 11,138,441	\$ 11,263,886	\$ 15,113,492

As with most cities, a large portion of the City's net position (94.6%) reflects its net investment in capital assets (land, buildings, and equipment) less depreciation and any related outstanding debt associated with those assets. The City uses those assets to provide services to citizens. Although capital assets are reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Of note is the increase from prior year in Long-term Liabilities in both the governmental activities and the business-type activities. In the governmental sector the net pension liability of \$4,323,909 remains the most prominent item of interest. In the business sector the increase of \$1,389,291 is due to the capitalization of a

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

lease agreement to replace the aging meter system with an electronic fixed based system in the amount of \$1,635,785. That increase is offset by payments made on other outstanding obligations and the reclassification of some payments as current liabilities. See Note 8 for further details.

The net decrease in total net investment in capital assets was \$245,431 which is a result of depreciation for the current year and the additional capital assets purchased to accomplish certain city services. The decrease in the Business-type Activity was \$120,620, while the decrease in assets devoted to Governmental Activities was \$124,811. Additionally, since capital assets are reported net of depreciation, it should be stated that depreciation for the fiscal year was \$247,274 for the Business-type Activity and \$794,715 for the Governmental Activities. See Note 7 for further details.

Another portion of the City's net position (4.6%) represents resources that are subject to external restrictions on how they may be used. At the end of fiscal year 2017, net position totaling \$515,932 was subject to restrictions. Of this total, \$164,586 was subject to restrictions for debt service related to business-type activities, \$177,478 was restricted for debt service related to governmental activities, \$141,013 was related to special revenue items, and \$32,855 was comprised of nonexpendable perpetual care restrictions related to mausoleum services provided by the City.

Comparatively, 2016's restricted net position totaling \$524,404 was subject to the following restrictions: \$138,118 was restricted for debt service related to business-type activities, \$220,142 was restricted for debt services related to governmental activities, \$133,337 was related to special revenue items, and the remaining \$32,807 was comprised of nonexpendable perpetual care restrictions for governmental activities.

The City's unrestricted net position at April 30, 2017 was \$85,291 compared to \$(43,167) which represents an improvement of \$128,458 even with the continued imposition required by GASB Statement No. 68.

It should be noted that the balance in unrestricted net position in the business-type activities is \$(1,335,101) this fiscal year compared to \$(1,618,380) in 2016. This is a result of the fund not covering its cost of operation over a series of years and the net pension liability recorded of \$749,906.

It should be noted that at the end of the current fiscal year, the City continues to report a positive balance in its total net position in both the governmental and business-type activities.

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CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

The following schedule provides a summary of the City's changes in net position as reflected in the Statement of Activities. In addition to the 2017 data, this schedule also shows comparative data for the years 2016 and 2015.

During the year ended April 30, 2016, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This pronouncement required the City to calculate and recognize a net pension liability at April 30, 2016. As a result of implementing GASB Statement No. 68, please note that the beginning total net position for 2016 has been reduced from the previous year ending balance by \$3,010,117 as a one-time charge against the total net position. The net change in governmental activities is \$2,544,502 and in business activities is \$465,615. See Note 12 for further details.

City of Franklin, Louisiana
Condensed Statements of Activities
For the Years Ended April 30, 2017, 2016, and 2015

	Governmental Activities			Business-type Activities			Totals		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Revenues:									
Program:									
Charges For Services and Fines	\$ 1,472,070	\$ 1,499,449	\$ 1,511,791	\$ 1,956,573	\$ 1,585,807	\$ 1,488,917	\$ 3,428,643	\$ 3,085,256	\$ 3,000,708
Operating Grants and Contributions	229,871	281,341	280,850	-	-	-	229,871	281,341	280,850
Capital Grants and Contributions	218,228	167,759	209,420	-	-	24,014	218,228	167,759	233,434
General:									
Sales Tax	2,428,625	2,508,252	3,030,175	-	-	-	2,428,625	2,508,252	3,030,175
Other Tax	1,151,284	1,175,275	1,162,662	-	-	-	1,151,284	1,175,275	1,162,662
Unrestricted Grants and Contributions	457,566	284,170	266,293	-	-	-	457,566	284,170	266,293
Interest	3,833	3,632	5,190	1,300	1,242	1,322	5,133	4,874	6,512
Rental	47,151	59,514	65,491	-	-	-	47,151	59,514	65,491
Cemetery/ Mausoleum	73,000	60,150	39,600	-	-	-	73,000	60,150	39,600
Miscellaneous	258,468	298,336	192,817	-	-	-	258,468	298,336	192,817
Loss on disposal of fixed assets	-	-	-	(3,293)	-	-	(3,293)	-	-
Transfers, net	115,600	1,650	(19,328)	(115,600)	(1,650)	19,328	-	-	-
Total Revenues and Transfers	\$ 6,455,696	\$ 6,339,528	\$ 6,744,961	\$ 1,838,980	\$ 1,585,399	\$ 1,533,581	\$ 8,294,676	\$ 7,924,927	\$ 8,278,542
Program Expenses:									
General Government:									
Administrative	\$ 311,871	\$ 346,940	\$ 319,027	\$ -	\$ -	\$ -	\$ 311,871	\$ 346,940	\$ 319,027
Judicial	364,082	359,397	264,741	-	-	-	364,082	359,397	264,741
Public Safety:									
Police	1,403,005	1,349,550	1,360,270	-	-	-	1,403,005	1,349,550	1,360,270
Fire	718,922	686,649	710,746	-	-	-	718,922	686,649	710,746
Streets and Drainage	801,523	892,195	917,062	-	-	-	801,523	892,195	917,062
Other Funding	284,757	291,567	215,656	-	-	-	284,757	291,567	215,656
Recreation	346,412	405,029	440,556	-	-	-	346,412	405,029	440,556
Sanitation	2,177,337	2,386,423	2,503,184	-	-	-	2,177,337	2,386,423	2,503,184
Community Development	246,783	239,476	253,931	-	-	-	246,783	239,476	253,931
Food Services	48,528	50,883	48,327	-	-	-	48,528	50,883	48,327
Miscellaneous	50	8,398	53,778	-	-	-	50	8,398	53,778
Interest	66,998	76,938	104,262	55,403	43,507	60,342	122,401	120,445	164,604
Water Utility Expense	-	-	-	1,594,450	1,627,464	1,681,389	1,594,450	1,627,464	1,681,389
Total Expenses	6,770,268	7,093,445	7,191,540	1,649,853	1,670,971	1,741,731	8,420,121	8,764,416	8,933,271
Change In Net Position	(314,572)	(753,917)	(446,579)	189,127	(85,572)	(208,150)	(125,445)	(839,489)	(654,729)
Beginning Net Position	10,123,190	10,877,107	13,868,188	1,140,696	1,226,268	1,900,033	11,263,886	12,103,375	15,768,221
Ending Net Position	\$ 9,808,618	\$ 10,123,190	\$ 13,421,609	\$ 1,329,823	\$ 1,140,696	\$ 1,691,883	\$ 11,138,441	\$ 11,263,886	\$ 15,113,492

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

GOVERNMENTAL REVENUES

In fiscal year 2017 the City experienced an increase in revenue amounting to \$116,168. While there was an overall increase in governmental revenue, most areas experienced reductions which fortunately were countered by increases in capital grants. Below is a discussion of the factors that led to the increase in revenue.

The City is heavily reliant on a percentage of sales taxes collected by the Parish of St. Mary to support governmental operations. The percentage is based on the ratio of the population of the City to the total population of the Parish. Sales tax collections provided a total of \$2,428,625 of the City's revenues for fiscal 2017 compared to \$2,508,252 the previous year (a decrease of \$79,627). Sales taxes comprised approximately 37.6% of the City's total revenues for governmental activities for the 2017 fiscal year, compared to 40% for the previous year.

The City's collection of other taxes – ad valorem, occupational, and franchise –experienced a slight decrease of \$23,991 (2%) from the previous year.

The City earned \$3,833 in interest to support governmental activities, compared to \$3,632 in the 2016 fiscal year which is reflective of the conditions in the financial markets.

The City's revenues in support of governmental activities other than taxes and interest (program revenues) amounted to \$2,871,954 in the 2017 fiscal year compared to \$2,652,369 in the 2016 fiscal year representing an 8.3% increase. Those program revenues represented 44.5% of operating revenues this fiscal year compared to 41.8% in fiscal year 2016.

Total grants and contributions (operating, capital and unrestricted) in the 2017 fiscal year were \$905,665, an increase of \$172,395 from the 2016 fiscal year total of \$733,270.

As noted above, total revenues from governmental activities were \$6,455,696 for the fiscal year ended April 30, 2017, which is an increase of \$116,168 over the 2016 fiscal year's total of \$6,339,528. This was due mainly to the increase in various grants and contributions from state and federal sources.

GOVERNMENTAL FUNCTIONAL EXPENSES

Governmental expenses for the 2017 fiscal year decreased by \$323,177 compared to the 2016 fiscal year. This represents a 4.5% overall decrease in expenses necessitated by the total government revenue stream.

The most significant increases in expenses in this fiscal year were in the judicial (1.3%), community development (3.0%), police (3.9%), and fire protection (4.7%) program expenses.

All other departments experienced decreases in costs with the most dramatic being in the area of cost of sanitation and drainage which accounted for \$209,086 or about two thirds of the overall decrease in spending.

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

CHANGE IN NET POSITION

The total change in net position was a decrease of \$314,572 for the fiscal year ended April 30, 2017, compared to a decrease of \$3,298,419 for the fiscal year ended April 30, 2016. The decrease is due mostly to the increase in pension expense (\$320,413).

With the sustained slowdown in the oil industry, sales tax collections continue to be impacted. Departmental operations will have to be further streamlined to insure that services are rendered in the most cost-effective manner to conserve the City's resources. Some additional services may need to be curtailed to contain costs.

ANALYSIS OF GOVERNMENTAL ACTIVITIES

The following table presents the cost of each of the City's services and the net cost (i.e. total cost less revenue generated by activities). The net cost illustrates the financial demand that was levied on the City's taxpayers and general revenues by each of these activities.

	Total Cost of Services			Net Cost of Services		
	2017	2016	2015	2017	2016	2015
Program Expenses:						
General Government	\$ 675,953	\$ 706,337	\$ 583,768	\$ (76,799)	\$ (185,776)	\$ (63,613)
Public Safety:						
Police	1,403,005	1,349,550	1,360,270	(1,316,381)	(1,248,066)	(1,252,221)
Fire	718,922	686,649	710,746	(591,649)	(552,930)	(604,897)
Streets/drainage	801,523	892,195	917,062	(801,523)	(871,303)	(904,387)
Other funding	284,757	291,567	215,656	(159,622)	(148,307)	(40,540)
Recreation	346,412	405,029	440,556	(341,257)	(389,861)	(400,411)
Sanitation	2,177,337	2,386,423	2,503,184	(1,259,268)	(1,423,032)	(1,510,697)
Community Dev.	246,783	239,476	253,931	(239,243)	(239,476)	(253,931)
Food Services	48,528	50,883	48,327	2,691	(809)	(742)
Miscellaneous	50	8,398	53,778	(50)	(8,398)	(53,778)
Interest	66,998	76,938	104,262	(66,998)	(76,938)	(104,262)
Total Expenses	<u>\$ 6,770,268</u>	<u>\$ 7,093,445</u>	<u>\$ 7,191,540</u>	<u>\$ (4,850,099)</u>	<u>\$ (5,144,896)</u>	<u>\$ (5,189,479)</u>

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

BUSINESS-TYPE ACTIVITIES

The City's business-type activity consists of the proprietary Water Enterprise Fund which finances the production and distribution of safe drinking water and the water needed for firefighting. During the year, the department has concentrated on the maintenance and improvement of the water distribution system to reduce the loss of water due to leaks in the system and the replacement of leaking and non-functioning fire hydrants.

A comparison of the net position of the enterprise fund for the current fiscal year and the prior year is included below.

Water Enterprise Fund
Assets, Deferred Outflows of Resources,
Liabilities, Deferred Inflows of Resources and Net Position

NET POSITION	2017	2016	Net Change
Net investment in capital assets	\$ 2,500,338	\$ 2,620,958	\$ (120,620)
Restricted for revenue bond retirement	164,586	138,118	26,468
Unrestricted	<u>(1,335,101)</u>	<u>(1,618,380)</u>	<u>283,279</u>
Total net position	<u>\$ 1,329,823</u>	<u>\$ 1,140,696</u>	<u>\$ 189,127</u>

	2017	2016	Net Change		2017	2016	Net Change
ASSETS				LIABILITIES			
Current Assets:				Current liabilities:			
Cash and interest bearing deposits	\$ 74,350	\$ 49,149	\$ 25,201	Accounts payable	\$ 50,343	\$ 133,746	\$ (83,403)
Accounts receivable, net	574,577	466,234	108,343	Accrued liabilities	39,245	28,919	10,326
Due from other governmental units	-	6,937	(6,937)	Contracts payable	82,017	162,179	(80,162)
Prepaid expenses	9,973	7,812	2,161	Notes payable	3,161	2,861	300
Due from other funds	<u>216,632</u>	<u>261,619</u>	<u>(44,987)</u>	Current portion of capital lease obligation	213,157	-	213,157
Total current assets	<u>875,532</u>	<u>791,751</u>	<u>83,781</u>	Due to other funds	<u>2,057,287</u>	<u>2,081,176</u>	<u>(23,889)</u>
				Total	<u>2,445,210</u>	<u>2,408,881</u>	<u>36,329</u>
Restricted assets:				Current liabilities:			
Bond and interest sinking fund - cash	164,586	138,118	26,468	Payable from restricted assets:			
Capital additions/contingencies - cash	595,024	527,607	67,417	Revenue bonds payable	89,000	87,000	2,000
Reserve funds - cash	<u>154,357</u>	<u>154,049</u>	<u>308</u>	Customer's deposits	<u>209,428</u>	<u>196,649</u>	<u>12,779</u>
Total restricted assets	<u>913,967</u>	<u>819,774</u>	<u>94,193</u>	Total	<u>298,428</u>	<u>283,649</u>	<u>14,779</u>
Property, plant and equipment, net	<u>5,472,123</u>	<u>4,043,958</u>	<u>1,428,165</u>	Long-term liabilities:			
Total assets	<u>\$ 7,261,622</u>	<u>\$ 5,655,483</u>	<u>\$ 1,606,139</u>	Revenue bonds payable, net	1,247,000	1,336,000	(89,000)
				Capital lease obligation, net of current portion	1,422,628	-	1,422,628
				Net pension liability	<u>749,906</u>	<u>694,243</u>	<u>55,663</u>
				Total	<u>3,419,534</u>	<u>2,030,243</u>	<u>1,389,291</u>
DEFERRED OUTFLOWS OF RESOURCES				Total Liabilities	<u>\$ 6,163,172</u>	<u>\$ 4,722,773</u>	<u>\$ 1,440,399</u>
Deferred outflows of resources	\$ 280,236	\$ 251,433	\$ 28,803	DEFERRED INFLOWS OF RESOURCES			
				Deferred inflows of resources	\$ 48,863	\$ 43,447	\$ 5,416

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

The information presented on the previous page shows the net change in the various assets, deferred outflows of resources, liabilities, and deferred inflows of resources that comprise the enterprise operation. Over the prior years, the enterprise operation has had to be supplemented by interdepartmental funds as evidenced by the Due to Other Funds balance of \$2,057,287, a slight decrease of \$23,889 from the previous year. The reliance on other funds is the factor that causes the Unrestricted Net Position amount to be \$(1,335,101) at April 30, 2017.

Revenues vs. Costs

The business-type activity of the City reported a \$362,123 operating income for the year compared to a \$41,657 loss for the prior year, which is an improvement of \$403,780. The improvement is a result of having a full 12 months of increased water sales revenue (\$337,050) and a reduction in the overall cost of producing water.

Water Enterprise Fund Revenue and Expense

	2017	2016	Net Change
Operating revenues:			
Water sales	\$ 1,597,290	\$ 1,260,240	\$ 337,050
Reconnection and installation fees	50,967	40,627	10,340
Delinquent charges	46,546	22,866	23,680
Street light fees	175,212	175,408	(196)
Mosquito control	75,029	75,114	(85)
Miscellaneous	11,529	11,552	(23)
Total operating revenues	<u>1,956,573</u>	<u>1,585,807</u>	<u>370,766</u>
Operating expenses:			
Administrative and finance	38,581	38,823	(242)
Water production	469,994	461,688	8,306
Water distribution	230,810	217,894	12,916
Billings and collections	303,488	316,105	(12,617)
Meter department	59,709	60,384	(675)
Depreciation and amortization	247,274	278,000	(30,726)
Street light fees	172,936	182,983	(10,047)
Mosquito abatement control	71,658	71,587	71
Total operating expenses	<u>1,594,450</u>	<u>1,627,464</u>	<u>(33,014)</u>
Operating income (loss)	<u>\$ 362,123</u>	<u>\$ (41,657)</u>	<u>\$ 403,780</u>

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

Governmental funds are reported in the fund statements with a short-term inflows and outflows of disburseable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

Governmental funds reported ending fund balances of \$4,803,574. With the advent of the City having to report under GASB Statement No. 54, assets previously reported as unrestricted in prior years were subject to being allocated to production of City services. As a result they are shown as Nonspendable, Restricted, Committed, Assigned, and Unassigned. Please refer to Note 16 of this report for a complete explanation of this concept.

Attention is called to the committed category (with a balance of \$3,233,490) where the City itself has constrained amounts to specific purposes using the highest level of decision-making authority, i.e., the City Council. This concept is reflective of decisions demonstrated in the operating budget of the City which outlines the specific uses of the funds available.

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance at year end was \$1,236,352, of which \$1,044,961 was fully unassigned. The General Fund's total revenue decreased \$103,517 over the prior year primarily due to \$36,882 in decreased sales tax collections and \$66,635 in decreased miscellaneous revenue sources. Expenditures decreased overall by \$130,153 over the prior year. Increased expenditures occurred in support of judicial activity (\$165), community development activity (\$7,823), and capital outlay (\$59,466) while all other activities saw a reduction of expenditures.

The Liquid and Solid Waste Fund provides sanitation services to the City and some unincorporated areas. The City bills citizens for that service along with its water billing. That fund had total revenues of \$1,970,531 in the 2017 fiscal year with expenditures of \$1,792,012 charged against that revenue. Revenues were down in comparison to last year by \$79,982 due mostly to reduced sales tax collections. Expenditures for fiscal 2017 were down \$270,146 compared to fiscal 2016. Its ending fund balance was \$3,221,347 of which \$15,241 was classified as Non-spendable, leaving a remaining \$3,206,106 committed to providing future services.

Other nonmajor governmental funds consist of special revenue funds and debt service funds. These funds had combined total fund balances of \$345,875 and are reported as fully restricted or committed to the purposes of the various funds in compliance with GASB 54. See the Supplemental Information section included in this report.

The Proprietary Fund

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term data about the City's financial position.

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

The City has total net position of \$1,329,823 in its proprietary fund comprised of \$2,500,338 invested in capital assets (net of accumulated depreciation and related debt), \$164,586 restricted for revenue bond retirement, and \$(1,335,101) in unrestricted net position due to amounts owed to other funds. Without the amounts due to other funds (\$2,057,287) the unrestricted amount would have been a positive \$722,186.

BUDGETARY HIGHLIGHTS

The major difference between the amended General Fund budget and the actual results in regards to revenue was a positive variance of \$65,313 (1.7%). That difference was due to the interplay of the positive and negative variances in all classes of revenue. General Fund expenditures show a negative variance of \$258,546 (6.8%) from the amended budget. The noteworthy variances from the amended budget occurred in public works (\$24,727), in the Fire Department (\$60,297), in the Police Department (\$96,111) and in City Court (\$21,019). The net variance from the amended balanced budget was a negative \$193,233, which was offset by the variance in other financing sources and uses amounting to \$200,704, resulting in a variance of change in fund balance of \$7,471.

The major difference between the amended Liquid and Solid Waste Fund budget and actual results in regards to revenue was a negative variance of \$22,869 (1.1%). That difference was due to the variance in collected user fees and the anticipated reimbursement of plant cost by the parish government. Fund expenditures show a positive variance from the amended budget of \$33,258 (1.8%).

ECONOMIC CONDITIONS AFFECTING THE CITY

For the fiscal year ended April 30, 2017, the City of Franklin experienced a slight decrease in sales tax revenues. As the City looks to the future, it has the expectation that, due to the unstable price of oil and the related slowdown in the local economy, sales tax revenues will continue to be marginal in the next fiscal year but should begin to show signs of stabilization. With that said, the City will still have to look to reducing expenditures in areas that do not fall in the realm of police, fire and public works.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances, compliance with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Director of Finance, Edward W. Hay or Mayor Raymond Harris, Jr., Post Office Box 567, Franklin, Louisiana 70538.

FINANCIAL SECTION

CITY OF FRANKLIN, LOUISIANA

Statement of Net Position
April 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and interest-bearing deposits	\$ 2,517,174	\$ 74,350	\$ 2,591,524	\$ 22,931
Receivables:				
Taxes	490,943	-	490,943	-
Accounts, net of allowance	126,890	574,577	701,467	-
Other	-	-	-	750
Internal balances	1,840,655	(1,840,655)	-	-
Prepaid expenses	78,981	9,973	88,954	-
Restricted assets:				
Cash	-	913,967	913,967	-
Due from other governmental units	102,663	-	102,663	24,660
Capital assets not being depreciated	1,426,103	1,645,785	3,071,888	-
Depreciable capital assets, net of accumulated depreciation	<u>8,198,027</u>	<u>3,826,338</u>	<u>12,024,365</u>	<u>32,815</u>
Total assets	14,781,436	5,204,335	19,985,771	81,156
DEFERRED OUTFLOWS OF RESOURCES				
	1,727,148	280,236	2,007,384	-

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 169,797	\$ 50,343	\$ 220,140	\$ 10,069
Accrued liabilities	139,857	39,245	179,102	-
Contracts payable	-	82,017	82,017	-
Notes payable	44,078	3,161	47,239	-
Due to other governmental units	-	-	-	16,589
Payable from restricted assets:				
Revenue bonds payable, current portion	-	89,000	89,000	-
Accrued interest	17,028	-	17,028	-
Customer deposits	-	209,428	209,428	-
Current portion of long-term obligations	242,004	213,157	455,161	-
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	1,492,744	2,669,628	4,162,372	-
Net pension liability	<u>4,323,909</u>	<u>749,906</u>	<u>5,073,815</u>	-
Total liabilities	6,429,417	4,105,885	10,535,302	26,658
DEFERRED INFLOWS OF RESOURCES				
	270,549	48,863	319,412	-
NET POSITION				
Net investment in capital assets	8,036,880	2,500,338	10,537,218	32,815
Restricted for:				
Debt service	177,478	164,586	342,064	-
Special revenue funds	141,013	-	141,013	-
Perpetual care	32,855	-	32,855	-
Unrestricted	<u>1,420,392</u>	<u>(1,335,101)</u>	<u>85,291</u>	<u>21,683</u>
Total net position	<u>\$ 9,808,618</u>	<u>\$ 1,329,823</u>	<u>\$ 11,138,441</u>	<u>\$ 54,498</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Activities
Year Ended April 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Administrative	\$ 311,871	\$ 389,524	\$ -	\$ 112,892
Judicial	364,082	96,738	-	-
Public safety:				
Police	1,403,005	78,781	6,774	1,069
Fire	718,922	30,685	41,588	55,000
Public works:				
Streets and drainage	801,523	-	-	-
Other funding	284,757	-	125,135	-
Recreation	346,412	-	5,155	-
Sanitation	2,177,337	876,342	-	41,727
Community development	246,783	-	-	7,540
Food services	48,528	-	51,219	-
Miscellaneous	50	-	-	-
Interest and fiscal charges on debt	66,998	-	-	-
Total governmental activities	6,770,268	1,472,070	229,871	218,228
Business-type activities:				
Water	1,594,450	1,956,573	-	-
Interest and fiscal charges on debt	55,403	-	-	-
Total business-type activities	1,649,853	1,956,573	-	-
Component units:				
City Court	174,806	52,885	122,003	2,445
Ward Three Marshal	152,332	18,422	127,065	3,850
Total component unit activities	327,138	71,307	249,068	6,295
Total government	<u>\$ 8,747,259</u>	<u>\$ 3,499,950</u>	<u>\$ 478,939</u>	<u>\$ 224,523</u>

General Revenues:

Taxes:
Ad valorem
Sales
Franchise
Grants and contributions not restricted
Interest and investment earnings
Rentals
Cemetery and mausoleum sales
Gain (loss) on sale of assets
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ 190,545	\$ -	\$ 190,545	\$ -
(267,344)	-	(267,344)	-
(1,316,381)	-	(1,316,381)	-
(591,649)	-	(591,649)	-
(801,523)	-	(801,523)	-
(159,622)	-	(159,622)	-
(341,257)	-	(341,257)	-
(1,259,268)	-	(1,259,268)	-
(239,243)	-	(239,243)	-
2,691	-	2,691	-
(50)	-	(50)	-
(66,998)	-	(66,998)	-
(4,850,099)	-	(4,850,099)	-
-	362,123	362,123	-
-	(55,403)	(55,403)	-
-	306,720	306,720	-
-	-	-	2,527
-	-	-	(2,995)
-	-	-	(468)
(4,850,099)	306,720	(4,543,379)	(468)
733,587	-	733,587	-
2,428,625	-	2,428,625	-
417,697	-	417,697	-
457,566	-	457,566	-
3,833	1,300	5,133	47
47,151	-	47,151	-
73,000	-	73,000	-
-	(3,293)	(3,293)	3,777
258,468	-	258,468	3,772
115,600	(115,600)	-	-
4,535,527	(117,593)	4,417,934	7,596
(314,572)	189,127	(125,445)	7,128
10,123,190	1,140,696	11,263,886	47,370
<u>\$ 9,808,618</u>	<u>\$ 1,329,823</u>	<u>\$ 11,138,441</u>	<u>\$ 54,498</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Balance Sheet – Governmental Funds
April 30, 2017

	General Fund	Liquid and Solid Waste Fund	Other Governmental	Total Governmental Funds
ASSETS				
Cash and interest-bearing deposits	\$ 1,251,748	\$ 894,738	\$ 370,688	\$ 2,517,174
Receivables:				
Taxes	333,326	157,617	-	490,943
Accounts	126,890	-	-	126,890
Prepaid expenses	63,740	15,241	-	78,981
Due from other governmental units	84,825	17,838	-	102,663
Due from other funds	<u>4,069</u>	<u>2,245,433</u>	<u>3,050</u>	<u>2,252,552</u>
Total assets	<u>\$ 1,864,598</u>	<u>\$ 3,330,867</u>	<u>\$ 373,738</u>	<u>\$ 5,569,203</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 59,521	\$ 82,413	\$ 27,863	\$ 169,797
Accrued liabilities	126,567	13,290	-	139,857
Notes payable	32,303	11,775	-	44,078
Due to other funds	<u>409,855</u>	<u>2,042</u>	<u>-</u>	<u>411,897</u>
Total liabilities	628,246	109,520	27,863	765,629
Deferred inflows of resources	-	-	-	-
Fund balances:				
Nonspendable	96,595	15,241	-	111,836
Restricted	-	-	318,491	318,491
Committed	-	3,206,106	27,384	3,233,490
Assigned	94,796	-	-	94,796
Unassigned	<u>1,044,961</u>	<u>-</u>	<u>-</u>	<u>1,044,961</u>
Total fund balances	<u>1,236,352</u>	<u>3,221,347</u>	<u>345,875</u>	<u>4,803,574</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,864,598</u>	<u>\$ 3,330,867</u>	<u>\$ 373,738</u>	<u>\$ 5,569,203</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
April 30, 2017

Total fund balances - governmental funds	\$ 4,803,574
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	9,624,130
Deferred outflows of resources associated with net pension liability are not available resources and, therefore, are not reported in the governmental fund.	1,727,148
Accrued interest is not due and payable in the current period and, therefore, is not reported in the governmental fund.	(17,028)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(6,058,657)
Deferred inflows of resources associated with net pension liability are not payable from current expendable resources and, therefore, are not reported in the governmental fund.	<u>(270,549)</u>
Total net position - governmental activities	<u>\$ 9,808,618</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended April 30, 2017

	General Fund	Liquid and Solid Waste Fund	Other Governmental	Total Governmental Funds
Revenues:				
Taxes	\$ 2,490,707	\$1,093,785	\$ -	\$ 3,584,492
Licenses and permits	389,524	-	-	389,524
Intergovernmental	752,807	139,820	293,214	1,185,841
Assessments	-	-	4,433	4,433
Charges for services	-	736,521	7,719	744,240
Fines and forfeitures	76,558	-	-	76,558
Rentals	47,151	-	-	47,151
Investment earnings	2,207	405	174	2,786
Cemetery and crypt sales	73,000	-	-	73,000
Miscellaneous	<u>152,859</u>	<u>-</u>	<u>-</u>	<u>152,859</u>
Total revenues	3,984,813	1,970,531	305,540	6,260,884
Expenditures:				
Current -				
General government:				
Administrative	266,879	-	-	266,879
Judicial	307,639	-	-	307,639
Public safety:				
Police	1,298,181	-	2,797	1,300,978
Fire	574,897	-	-	574,897
Public works:				
Streets and drainage	616,727	-	-	616,727
Other funding	299,757	-	-	299,757
Recreation	252,460	-	-	252,460
Sanitation	-	1,780,012	-	1,780,012
Community development	158,222	-	-	158,222
Food services	-	-	48,528	48,528
Miscellaneous	-	-	50	50
Debt service -				
Principal	75,000	-	139,106	214,106
Interest and fiscal charges	58,034	-	12,411	70,445
Capital outlay	<u>121,150</u>	<u>12,000</u>	<u>307,648</u>	<u>440,798</u>
Total expenditures	<u>4,028,946</u>	<u>1,792,012</u>	<u>510,540</u>	<u>6,331,498</u>
Excess (deficiency) of revenues over expenditures	(44,133)	178,519	(205,000)	(70,614)

	General Fund	Liquid and Solid Waste Fund	Other Governmental	Total Governmental Funds
Other financing sources (uses):				
Transfers in	145,600	-	122,898	268,498
Transfers out	<u>(93,996)</u>	<u>(58,902)</u>	<u>-</u>	<u>(152,898)</u>
Total other financing sources (uses)	<u>51,604</u>	<u>(58,902)</u>	<u>122,898</u>	<u>115,600</u>
Changes in fund balances	7,471	119,617	(82,102)	44,986
Fund balances, beginning	<u>1,228,881</u>	<u>3,101,730</u>	<u>427,977</u>	<u>4,758,588</u>
Fund balances, ending	<u>\$ 1,236,352</u>	<u>\$3,221,347</u>	<u>\$ 345,875</u>	<u>\$ 4,803,574</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended April 30, 2017

Net changes in fund balances - governmental funds	\$ 44,986
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period	(353,917)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	229,106
Costs associated with pension obligations	3,007
Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability:	
Increase in pension expense	(320,413)
Non-employer pension contribution revenue	79,212
Excess of interest accrued over interest paid	<u>3,447</u>
Change in net position - governmental activities	<u>\$ (314,572)</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Net Position – Proprietary Fund
 April 30, 2017

	<u>Water Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and interest-bearing deposits	\$ 74,350
Receivables:	
Accounts, net of allowance	574,577
Prepaid expenses	9,973
Due from other funds	<u>216,632</u>
Total current assets	875,532
Restricted assets:	
Debt service fund -	
Cash	164,586
Capital additions and contingencies account -	
Cash	595,024
Reserve fund -	
Cash	<u>154,357</u>
Total restricted assets	913,967
Property, plant, and equipment:	
Property, plant, and equipment, at cost, net of accumulated depreciation of \$4,763,235	<u>5,472,123</u>
Total assets	7,261,622
DEFERRED OUTFLOWS OF RESOURCES	280,236

	Water Enterprise Fund
	<u> </u>
LIABILITIES	
Current liabilities (payable from current assets):	
Accounts payable	\$ 50,343
Accrued liabilities	39,245
Contracts payable	82,017
Note payable	3,161
Current portion of capital lease obligation	213,157
Due to other funds	<u>2,057,287</u>
Total current liabilities (payable from current assets)	2,445,210
Current liabilities (payable from restricted assets):	
Revenue bonds payable	89,000
Customer deposits	<u>209,428</u>
Total current liabilities (payable from restricted assets)	298,428
Long-term liabilities:	
Revenue bonds payable, net of current portion	1,247,000
Capital lease obligation, net of current portion	1,422,628
Net pension liability	<u>749,906</u>
Total long-term liabilities	<u>3,419,534</u>
Total liabilities	6,163,172
DEFERRED INFLOWS OF RESOURCES	48,863
NET POSITION	
Net investment in capital assets	2,500,338
Restricted for revenue bond retirement	164,586
Unrestricted	<u>(1,335,101)</u>
Total net position	<u>\$ 1,329,823</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 Year Ended April 30, 2017

	<u>Water Enterprise Fund</u>
Operating revenues:	
Water sales	\$ 1,597,290
Reconnection and installation fees	50,967
Delinquent charges	46,546
Street light fees	175,212
Mosquito control	75,029
Miscellaneous	<u>11,529</u>
Total operating revenues	1,956,573
Operating expenses:	
Administrative and finance	38,581
Water production	469,994
Water distribution	230,810
Billings and collections	303,488
Meter department	59,709
Depreciation and amortization	247,274
Street light fees	172,936
Mosquito control	<u>71,658</u>
Total operating expenses	<u>1,594,450</u>
Operating income	362,123
Nonoperating revenues (expenses):	
Loss on disposal of fixed assets	(3,293)
Interest income	1,300
Interest and fiscal charges	<u>(55,403)</u>
Total nonoperating revenues (expenses)	<u>(57,396)</u>
Income before contributions and transfers	304,727
Transfers in	30,000
Transfers out	<u>(145,600)</u>
Change in net position	189,127
Net position, beginning	<u>1,140,696</u>
Net position, ending	<u>\$ 1,329,823</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Cash Flows – Proprietary Fund
Year Ended April 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,849,495
Payments to suppliers for goods and services	(932,892)
Payments to employees	<u>(525,594)</u>
Net cash provided by operating activities	391,009

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Cash received from other governments	6,937
Operating transfers to other funds	(115,600)
Decrease in due from other funds	<u>21,098</u>
Net cash used by noncapital financing activities	(87,565)

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Principal payments on revenue bonds	(87,000)
Interest payments on revenue bonds	(55,403)
Acquisition and construction of capital assets	<u>(42,947)</u>
Net cash used by capital and related financing activities	(185,350)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on interest-bearing deposits	<u>1,300</u>
Net cash provided by investing activities	<u>1,300</u>
Net increase in cash and cash equivalents	119,394
Cash and cash equivalents, beginning of period	<u>868,923</u>
Cash and cash equivalents, end of period	<u>\$ 988,317</u>

(Continued)

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Cash Flows – Proprietary Funds (Continued)
Year Ended April 30, 2017

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 362,123
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	247,274
Pension expense, net of nonemployer contributions	32,276
Increase in accounts receivable	(108,343)
Decrease in prepaid expenses	(2,161)
Decrease in accounts payable and other accrued liabilities	(73,077)
Decrease in contracts payable	(80,162)
Increase in note payable	300
Increase in customer meter deposits	12,779
Total adjustments	<u>28,886</u>
Net cash provided by operating activities	<u>\$ 391,009</u>

Supplemental disclosure of noncash capital and related financing activities:

Assets acquired under capital leases	\$ 1,635,785
--------------------------------------	--------------

Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:

Cash and cash equivalents, beginning of year -	
Interest-bearing deposits - unrestricted	\$ 49,149
Interest-bearing deposits - restricted	<u>819,774</u>
Total cash and cash equivalents	868,923
Cash and cash equivalents, end of year -	
Interest-bearing deposits - unrestricted	74,350
Interest-bearing deposits - restricted	<u>913,967</u>
Total cash and cash equivalents	<u>988,317</u>
Net increase in cash and cash equivalents	<u>\$ 119,394</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Franklin, Louisiana (hereinafter “City”) was incorporated on April 15, 1876, under the provisions of a special charter. The City operated under a Mayor-Council form of government until August 1, 2004, at which time the City adopted a Home Rule Charter and now operates under an elected Mayor-Council, administrative-legislative form of government. The City’s operations include police and fire protection, streets and drainage, parks and recreation, residential waste collection services, certain social services and general and administration services. The City owns and operates an enterprise fund which provides water services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513, the *Louisiana Governmental Audit Guide* and to the industry audit guide, *Audits of State and Local Governmental Units*. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, establishes several criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the primary government’s governing authority (City Council) appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the primary government and the potential component unit.
4. Imposition of will by the primary government on the potential component unit.
5. Financial benefit/burden relationship between the primary government and the potential component unit.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Based on the preceding criteria the City Court of the City of Franklin and Ward Three Marshal of the Parish of St. Mary are considered to be component entities:

1. The City Court of the City of Franklin establishes a court for the City of Franklin and the territorial jurisdiction throughout Ward Three of St. Mary Parish, Louisiana. The purpose of the City Court is to collect all fines, forfeitures, penalties, and costs assessed. The judge and marshal are elected to six year terms. The fiscal year of the City Court of the City of Franklin ends on June 30th, which is different from that of the primary government. The City provides the facilities in which the Court operates and has approval authority over certain expenditures made by the Court. A publicly available financial report that includes financial information may be obtained by writing to the Franklin City Court, 508 2nd Street, Franklin, Louisiana 70538.
2. The Marshal's Fund of the City Court of the City of Franklin accounts for the activities of the Marshal in carrying out the duties of the Court. The expenses of carrying out these duties are defrayed by court costs collected through the City Court. The fiscal year of the Marshal's Fund of the City Court of the City of Franklin ends on June 30th, which is different from that of the primary government. The City provides the facilities in which the Marshal operates and has approval authority over certain expenditures made by the Marshal. A publicly available financial report that includes financial information may be obtained by writing to the Franklin City 3rd Ward Marshal, P.O. Box 343; Franklin, Louisiana 70538.

For financial reporting purposes, the City has chosen to issue financial statements of the City of Franklin, Louisiana, primary government, and both component units noted above.

Basis of Presentation

Government-wide Financial Statements:

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

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental Funds

General fund

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

Special revenue funds

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

Debt service funds

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

Capital projects funds

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

Proprietary Fund

Enterprise fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City are water user fees. The operating cost of the proprietary fund is all costs associated with the operation of the water distribution system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Funds:

General Fund—primary operating fund of the City. The general fund is always classified as a major fund.

Special Revenue Fund:

Liquid and Solid Waste Fund—accounts for the receipt and use of proceeds of the City's share of the $\frac{3}{4}$ of 1% sales and use tax. These taxes are dedicated for the construction, acquisition, extension, improvement, operation, and maintenance of solid waste collection and disposal, sewers and sewerage disposal works, other facilities for pollution control and abatement, and to provide funds to pay debt service requirements on bonds issued for such purposes.

Proprietary Fund:

Utility Fund—accounts for the provision of water service to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, financing and related debt service and billing and collection.

Nonmajor Funds:

Special Revenue Funds:

Summer Feeding Program—accounts for the receipt and use of funds reimbursed under the National School Lunch Act.

Revolving Loan Fund—accounts for a revolving loan fund set up to loan funds to area small businesses or prospective small businesses. The fund was initially financed through a federal grant. Funds received from loan repayments are used for additional loans.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Narcotic Aid Fund—accounts for the receipt and disbursement of funds collected by the District Attorney’s office for drug enforcement.

Capital Projects Fund:

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

Debt Service Funds:

1998 Sales Tax Fire Equipment Sinking Fund—accumulates monies for payment of capital leases for fire equipment and police cars and certificates of indebtedness for the purchase of a fire truck.

2000 Water and Sewer Revenue Bond Sinking Fund—accumulates revenues for payment of the 2000 \$758,000 Water and Sewer Revenue Bonds. Debt Service is financed with Liquid and Solid Waste revenues.

2000 Water and Sewer Revenue Bond Reserve Fund—a reserve fund required by the 2000 \$758,000 Water and Sewer Revenue Bonds.

Water and Sewer System Renewal and Replacement Fund—a fund required by the 2000 Water and Sewer Revenue Bonds to accumulate funds to care for extensions, additions, and improvements to properly operate the wastewater plant and sewer system.

Consolidated Sewerage District No. 1 Fund—accounts for the funds received from special assessments used to pay a portion of the cost of the acquisition and construction of sewerage improvements and extensions to the sewerage system to service properties located in the Consolidated Sewerage District No. 1. A portion of the funds are also used to pay debt service requirements on Special Assessment Certificates Series 2007.

Measurement Focus/Basis of Accounting

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

The government-wide statements and fund financial statements for the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

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

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

Capital Assets

Capital assets, which include buildings, improvements other than buildings, moveable equipment, automotive equipment, and furniture and fixtures, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for the proprietary fund. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Primary government assets capitalized have an original cost of \$2,500 or more whereas the capitalization threshold for the component units is \$500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

Buildings	20 – 40 years
Improvements other than buildings	20 – 40 years
Moveable equipment	5 – 25 years

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Restricted Assets

Certain assets of the enterprise fund are classified as restricted assets because their use is limited by applicable bond covenants and other restrictions. The "debt service fund" is used to segregate resources accumulated for debt service payments according to the sinking fund requirements set aside by the bond requirements schedule. The "contingencies fund" is used to segregate resources accumulated to pay the principal and interest on bonds for the payment of which there is not sufficient money in the bond and interest sinking fund and is available for the making of improvements and extensions to the system. However, this money shall never be used for the making of improvements and extensions to the system or payment of principal and interest on bonds if such use of said money will leave in the revenue bond contingency fund for the making of emergency repairs or replacements less than the sum of \$10,000. The reserve fund is to be maintained solely for the purpose of paying the principal and interest on bonds payable from the debt service fund as to which there would otherwise be default. The "customer deposits" is used to segregate those refundable resources received from customers currently on the system.

Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Although the specific charge-off method is not in conformity with generally accepted accounting principles (GAAP), the resulting difference between the allowance method and specific charge-off method would result in an immaterial difference. An allowance for uncollectible utility receivables of \$59,005 has been provided at April 30, 2017.

Interfund Transfers

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees earn paid vacation time each year based upon their total years of service. Vacation time must be used within the fiscal year and cannot be carried over to subsequent periods.

Certain employees also earn compensatory time off for overtime hours worked. These compensated absences are allowed to accumulate from period to period if not used. Upon termination, an employee is compensated for the accumulation of this time.

Equity Classifications

Government-wide Financial Statements:

Net position represents the difference between assets and liabilities. Net position is reported in three categories, as follows:

- a. Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position items with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – consists of the net amount of assets and liabilities that do not meet the definition of the above two components and is available for general use by the City.

Fund Financial Statements:

The City applies 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 a government's fund balances more transparent. See Note 16 for further explanation.

Capitalization of Interest Expense

It is the policy of the City to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. For the year ended April 30, 2017, no capitalized interest expense was recorded on the books.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Receivables in Governmental Funds

Receivables are stated at net realizable value after provision for estimated uncollectible accounts. For the year ended April 30, 2017, no provision for estimated uncollectible accounts was recorded on the books.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Enterprise Fund considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Municipal Employees' Retirement System, Municipal Police Employees' Retirement System, Louisiana State Employees' Retirement System, and Firefighters' Retirement System (collectively, retirement systems) and additions to/deductions from the retirement systems' fiduciary net positions have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 12 for further details.

Subsequent Events

The City has evaluated subsequent events through October 9, 2017, the date the financial statements were available to be issued.

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (CONTINUED)

The carrying value of the City's cash and interest-bearing deposits with financial institutions at April 30, 2017 totaled \$3,528,422 and the bank balance was \$3,907,682. Cash and interest-bearing deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 AD VALOREM TAXES

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

For the year ended April 30, 2017, taxes of 19.64 mills were levied on property with assessed valuations totaling \$37,455,909 and were dedicated as follows:

General governmental services	13.82 mills
Sewerage system maintenance	5.82 mills

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 4 INTERFUND RECEIVABLES/PAYABLES

Interfund balances at April 30, 2017 consisted of the following amounts:

	<u>Receivables</u>	<u>Payables</u>
Governmental Funds		
Major Funds:		
General Fund		
Special Revenue Funds	\$ 2,042	\$ 190,173
Capital Projects Funds	-	3,050
Proprietary Fund	<u>2,027</u>	<u>216,632</u>
Total General Fund	4,069	409,855
Special Revenue Funds:		
Liquid and Solid Waste Fund		
General Fund	190,173	2,042
Proprietary Fund	<u>2,055,260</u>	<u>-</u>
Total Special Revenue Funds	<u>2,245,433</u>	<u>2,042</u>
Total major funds	<u>2,249,502</u>	<u>411,897</u>
Nonmajor Funds:		
Capital Projects Fund:		
General Fund	<u>3,050</u>	<u>-</u>
Total nonmajor governmental	<u>3,050</u>	<u>-</u>
Total governmental funds	2,252,552	411,897
Business-Type Fund		
Proprietary Fund:		
General Fund	216,632	2,027
Special Revenue Funds	<u>-</u>	<u>2,055,260</u>
Total business-type fund	<u>216,632</u>	<u>2,057,287</u>
Total interfund receivables/payables	<u>\$ 2,469,184</u>	<u>\$ 2,469,184</u>

These receivables and payables reverse in the normal course of operations. All remaining balances resulted from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between the funds are made.

NOTE 5 INTERGOVERNMENTAL AGREEMENTS

The City has entered into several agreements with the St. Mary Parish Council (Parish) as follows:

Under one agreement, the City has agreed to provide fire protection to areas outside of the city limits. The City receives a monthly fee for this service of approximately \$2,700.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 5 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

The City has entered into several agreements with the St. Mary Parish Council (Parish) as follows:

Under one agreement, the City has agreed to provide fire protection to areas outside of the city limits. The City receives a monthly fee for this service of approximately \$2,700.

A second agreement states that the City will operate and maintain a sewerage facility. Under this agreement, the Parish reimburses the City for 30% of these costs on a monthly basis.

A third agreement establishes the allocation of expenses of the Franklin City Court and Franklin City Marshal between the City and the Parish. The agreement currently allocates 66% of the expenses to the City and 34% of the expenses to the Parish.

The City, Parish, and St. Mary Parish Consolidated Drainage District No. 1 (District) have agreed to set up a fund for maintenance of the Yokely Pumping Station. Each of the three entities is to deposit into a Capital Maintenance Fund an amount equal to \$3,333 per year until the amount reaches the sum of \$50,000. If at any time the fund falls below the \$50,000 threshold, each entity is to replenish the fund on the same equal basis until the fund is again at \$50,000. The District is in charge of overseeing the Capital Maintenance Fund and accounts for its activity, which has not been significant, on its separately issued financial statements.

The City, Parish, and St. Mary Parish Consolidated Drainage District No. 1 (District) have also entered into a cooperative endeavor agreement to equally fund the 30% local share of Phase II of the Yokely Bayou State Project. Each of these entities has agreed to contribute approximately \$166,650 each, or one-third of the local share of \$500,000.

NOTE 6 DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at April 30, 2017 consisted of the following:

	General Fund	Liquid and Solid Waste Fund	Utility Fund	Totals
Federal Government				
Grants	\$ 25,434	\$ -	\$ -	\$ 25,434
State of Louisiana				
Grants	-	-	-	-
Grass Cutting Fee (DOTD)	5,420	-	-	5,420
Video poker taxes	40,464	-	-	40,464
St. Mary Parish Council				
Reimbursements	<u>13,507</u>	<u>17,838</u>	-	<u>31,345</u>
Total due from other governmental units	<u>\$ 84,825</u>	<u>\$ 17,838</u>	<u>\$ -</u>	<u>\$ 102,663</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 7 CHANGES IN CAPITAL ASSETS

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

	Balance 4/30/2016	Additions	Deletions	Balance 4/30/2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 825,187	\$ -	\$ -	\$ 825,187
Construction in progress	<u>293,268</u>	<u>307,648</u>	<u>-</u>	<u>600,916</u>
Total capital assets not being depreciated	1,118,455	307,648	-	1,426,103
Capital assets being depreciated:				
Buildings	2,746,372	-	-	2,746,372
Improvements	17,881,555	25,000	-	17,906,555
Equipment	<u>4,398,412</u>	<u>108,150</u>	<u>-</u>	<u>4,506,562</u>
Total capital assets being depreciated	25,026,339	133,150	-	25,159,489
Less accumulated depreciation for:				
Buildings	(1,867,458)	(59,846)	-	(1,927,304)
Improvements	(10,745,928)	(548,154)	-	(11,294,082)
Equipment	<u>(3,553,361)</u>	<u>(186,715)</u>	<u>-</u>	<u>(3,740,076)</u>
Total accumulated depreciation	<u>(16,166,747)</u>	<u>(794,715)</u>	<u>-</u>	<u>(16,961,462)</u>
Total capital assets, being depreciated, net	<u>8,859,592</u>	<u>(661,565)</u>	<u>-</u>	<u>8,198,027</u>
Governmental activities capital assets, net	<u>\$ 9,978,047</u>	<u>\$ (353,917)</u>	<u>\$ -</u>	<u>\$ 9,624,130</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	<u>-</u>	<u>1,635,785</u>	<u>-</u>	<u>1,635,785</u>
Total capital assets not being depreciated	10,000	1,635,785	-	1,645,785
Capital assets being depreciated:				
Building improvements and equipment	8,518,902	40,048	(341,558)	8,217,392
Automotive equipment	333,299	2,899	(82,554)	253,644
Furniture and fixtures	<u>181,145</u>	<u>-</u>	<u>(62,608)</u>	<u>118,537</u>
Total capital assets being depreciated	9,033,346	42,947	(486,720)	8,589,573
Less accumulated depreciation for:				
Building improvements and equipment	(4,535,423)	(236,981)	339,589	(4,432,815)
Automotive equipment	(291,269)	(8,767)	82,554	(217,482)
Furniture and fixtures	<u>(172,696)</u>	<u>(1,526)</u>	<u>61,284</u>	<u>(112,938)</u>
Total accumulated depreciation	<u>(4,999,388)</u>	<u>(247,274)</u>	<u>483,427</u>	<u>(4,763,235)</u>
Total capital assets, being depreciated, net	<u>4,033,958</u>	<u>(204,327)</u>	<u>(3,293)</u>	<u>3,826,338</u>
Business-type activities capital assets, net	<u>\$ 4,043,958</u>	<u>\$ 1,431,458</u>	<u>\$ (3,293)</u>	<u>\$ 5,472,123</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 7 CHANGES IN CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:		
General government and administration	\$	31,173
Judicial		4,122
Public safety:		
Police		37,346
Fire		71,069
Public works:		
Streets and drainage		146,407
Culture and recreation		83,203
Community development		77,812
Sanitation		<u>343,583</u>
Total depreciation expense, governmental activities	\$	<u>794,715</u>
Business-type activities:		
Water	\$	<u>247,274</u>

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Component Unit:				
City Court -				
Capital assets being depreciated:				
Furniture, fixtures, and equipment	\$ 55,996	\$ 14,993	\$ -	\$ 70,989
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	<u>(51,679)</u>	<u>(2,920)</u>	<u>-</u>	<u>(54,599)</u>
Total capital assets being depreciated, net	<u>\$ 4,317</u>	<u>\$ 12,073</u>	<u>\$ -</u>	<u>\$ 16,390</u>

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Component Unit:				
Ward Three Marshal -				
Capital assets being depreciated:				
Vehicles	\$ 23,565	\$ 3,850	\$ (3,645)	\$ 23,770
Furniture and equipment	<u>7,164</u>	<u>-</u>	<u>-</u>	<u>7,164</u>
	30,729	3,850	(3,645)	30,934
Less accumulated depreciation for:				
Vehicles, furniture and equipment	<u>(14,381)</u>	<u>(3,773)</u>	<u>3,645</u>	<u>(14,509)</u>
Total capital assets being depreciated, net	<u>\$ 16,348</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ 16,425</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 7 CHANGES IN CAPITAL ASSETS (CONTINUED)

All of the depreciation for both component units was charged to the general government function.

NOTE 8 CHANGES IN LONG-TERM DEBT

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

	Balance April 30, 2016	Additions	Deletions	Balance April 30, 2017	Due Within One Year
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 46,250	\$ -	\$ 15,000	\$ 31,250	\$ 15,000
Revenue Bonds	1,677,000	-	121,000	1,556,000	123,000
Special Assessment					
Sewerage Certificates	4,324	-	4,324	-	-
Certificates of Indebtedness	24,000	-	24,000	-	-
Capital Leases	64,782	-	64,782	-	-
Compensated Absences	104,004	-	-	104,004	104,004
Pension Obligations	<u>3,761,915</u>	<u>608,495</u>	<u>3,007</u>	<u>4,367,403</u>	<u>-</u>
Total governmental activities	5,682,275	608,495	232,113	6,058,657	242,004
<u>Business-type activities:</u>					
Revenue bonds payable	\$ 1,423,000	\$ -	\$ 87,000	\$ 1,336,000	\$ 89,000
Capital Leases	-	1,635,785	-	1,635,785	213,157
Pension Obligations	<u>694,243</u>	<u>55,663</u>	<u>-</u>	<u>749,906</u>	<u>-</u>
Total business-type activities	<u>2,117,243</u>	<u>1,691,448</u>	<u>87,000</u>	<u>3,721,691</u>	<u>302,157</u>
Total government	<u>\$ 7,799,518</u>	<u>\$ 2,299,943</u>	<u>\$ 319,113</u>	<u>\$ 9,780,348</u>	<u>\$ 544,161</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN LONG-TERM DEBT (CONTINUED)

Bonds and certificates payable at April 30, 2017 are comprised of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
General Obligation Bonds:		
\$300,000 loan from the U.S. Department of Housing and Urban Development passed through the Louisiana Division of Administration, Office of Community Development due in monthly installments of \$1,250; bearing no interest; payable from rents received on the building	\$ 31,250	\$ -
Revenue Bonds:		
Water and Sewer Revenue Bonds, Series 2000, dated July 28, 2000; due in annual installments of \$28,000 to \$53,000 maturing March 1, 2021; bearing interest at 2.45%; secured by a pledge of utility and liquid and solid waste revenues after reasonable and necessary operating expenses	201,000	-
2012 Public Improvement Revenue Bonds dated October 20, 2012; due in annual installments of \$70,000 to \$120,000 maturing June 1, 2030; bearing interest at 3.70%; secured by excess annual revenues	<u>1,355,000</u>	<u>-</u>
Total Revenue Bonds Payable	1,556,000	-
Utility Revenue Bonds:		
\$2,705,000 Water and Sewer Revenue Bonds, Series 2009 A and B, dated February 2, 2010; due in annual installments of \$75,000 to \$118,000, maturing March 1, 2030; bearing interest at 3.45%; secured by revenues from the Utility and Liquid and Solid Waste Funds. See Note 10.	<u>-</u>	<u>1,336,000</u>
Total bonds and certificates payable	<u>\$ 1,587,250</u>	<u>\$ 1,336,000</u>

The City entered into a loan agreement with the Louisiana Department of Health and Hospitals (Department) relating to the issuance of the \$2,705,000 Water and Sewer Revenue Bonds, Series 2009. The bonds were issued to finance the Water Rehabilitation Project. They have been issued in two series, \$811,000 of Water and Sewer Revenue Bonds Series A and \$1,894,000 of Water and Sewer Revenue Bonds Series B. The Series were sold to the Department and the purchase price of the Series A bond shall be paid to the City by the Department in installments on an "as-needed" basis. As the Department pays the installments on the Bond, the City's obligation to repay the principal for this particular bond will be forgiven.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN LONG-TERM DEBT (CONTINUED)

The various bond indentures contain significant limitations and restrictions as to the annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage (see Notes 10 and 11). The City is in compliance with all such significant limitations and restrictions.

The annual requirements to amortize all debt outstanding as of April 30, 2017, are as follows:

<u>General Obligation Bonds:</u>	<u>Governmental Activities</u>		
<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 15,000	-	\$ 15,000
2019	16,250	-	16,250
Total	<u>\$ 31,250</u>	<u>\$ -</u>	<u>\$ 31,250</u>
<u>Revenue Bonds:</u>	<u>Governmental Activities</u>		
<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 123,000	\$ 52,159	\$ 175,159
2019	129,000	48,116	177,116
2020	131,000	43,956	174,956
2021	138,000	39,653	177,653
2022	90,000	35,117	125,117
2023 - 2027	490,000	126,816	616,816
2028 - 2031	455,000	34,994	489,994
Total	<u>\$ 1,556,000</u>	<u>\$ 380,811</u>	<u>\$ 1,936,811</u>
<u>Year Ending April 30,</u>	<u>Business-type Activities</u>		
<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 89,000	\$ 39,412	\$ 128,412
2019	91,000	36,786	127,786
2020	93,000	34,102	127,102
2021	95,000	31,358	126,358
2022	98,000	28,556	126,556
2023 - 2027	524,000	98,146	622,146
2028 - 2030	346,000	20,564	366,564
Total	<u>\$ 1,336,000</u>	<u>\$ 288,924</u>	<u>\$ 1,624,924</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN LONG-TERM DEBT (CONTINUED)

The City's has entered into certain capital leases to acquire equipment and vehicles. Assets and related accumulated amortization under capital lease are as follows:

	<u>Governmental</u>	<u>Business-type</u>
Equipment - ladder truck	\$ 595,500	\$ -
Equipment - police cars	61,846	-
Construction in progress - water meters	-	1,635,785
Less: accumulated amortization	<u>(544,696)</u>	<u>-</u>
Net value	112,650	1,635,785

Amortization of leased capital assets is included with depreciation expense. There is no amortization recorded in the current fiscal year related to the water meters acquired under capital lease in the enterprise fund since the equipment was not fully placed in service as of year end. The City also rents various equipment at times on a short-term basis.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of April 30, 2017:

<u>Year ending:</u>	<u>Business-type</u>
2018	\$ 290,235
2019	192,911
2020	192,911
2021	192,911
2022	192,911
2023 - 2027	<u>868,102</u>
Total minimum lease payments	1,929,981
Less: amount representing interest	<u>(294,196)</u>
Present value of net minimum lease payments	<u>\$ 1,635,785</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 9 INTERFUND TRANSFERS

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental Funds		
Major Funds:		
General Fund:		
Capital Projects Fund	\$ -	\$ 18,577
Debt Service Funds	-	45,419
Proprietary Fund	<u>145,600</u>	<u>30,000</u>
Total General Fund	145,600	93,996
Special Revenue Funds:		
Liquid and Solid Waste Fund		
Debt Service Funds	<u>-</u>	<u>58,902</u>
Total Major Funds	145,600	152,898
Nonmajor Funds:		
Debt Service Funds		
General Fund	45,419	-
Special Revenue Funds	<u>58,902</u>	<u>-</u>
Total Debt Service Funds	<u>104,321</u>	<u>-</u>
Capital Projects Fund:		
General Fund	<u>18,577</u>	<u>-</u>
Total Nonmajor Funds	<u>122,898</u>	<u>-</u>
Total Governmental Funds	268,498	152,898
Business-type Fund		
Proprietary Fund		
General Fund	<u>30,000</u>	<u>145,600</u>
Total Business-Type Fund	<u>30,000</u>	<u>145,600</u>
Total Interfund Transfers	<u><u>\$ 298,498</u></u>	<u><u>\$ 298,498</u></u>

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

NOTE 10 FLOW OF FUNDS; RESTRICTIONS ON USE - UTILITIES REVENUES

Under the terms of the bond indenture on outstanding 2000 Water and Sewer Revenue Bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Utilities System (Proprietary) and Sewer System (Governmental—Liquid and Solid Waste) after reasonable and necessary operating expenses are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds:

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 10 FLOW OF FUNDS; RESTRICTIONS ON USE - UTILITIES REVENUES (CONTINUED)

Revenues earned from the operation of the Utility System and the Sewer System shall be deposited daily into a Utility Fund and Liquid and Solid Waste Fund, respectively. These funds will pay all reasonable and necessary expenses of administering, operating, and maintaining the Utilities Systems.

Each month, there will be set aside into a fund called the "Water and Sewer Revenue Bonds Sinking Fund" an amount ranging from \$9,039 to \$16,298 per month. This sinking fund is to accommodate the principal and interest payments related to the Series 2000 and Series 2009B Water and Sewer Revenue Bonds. Such transfers shall be made by the 20th of each month and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due and may be used only for such payments.

Amounts shall also be set aside into the Water and Sewer Revenue Bonds Reserve Fund an amount equal to 10% of the proceeds of the Water and Sewer Revenue Bonds Series 2000 and 2009B or the highest combined principal and interest requirements for any succeeding bond year on the bonds.

Funds in an amount equivalent to five percent (5%) of net revenue of the System of the preceding month will also be set aside into a "Capital Additions and Contingencies Account" in the Utility Fund. Money in this fund may be used to pay the principal and interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds. If the balance in this fund should ever be reduced below \$60,000, payments shall resume until \$60,000 is on deposit.

Funds in an amount equivalent to five percent (5%) of the net revenue of the System of the preceding month will also be set aside into a 2000 Water and Sewer System Renewal and Replacement Fund. Money in the fund may be used to pay the principal and interest on both bonds falling due at any time there is not sufficient money for payment in the other bond funds. If the balance in the fund should ever be reduced below \$75,000, payments shall resume until \$75,000 is on deposit.

NOTE 11 DEDICATION OF PROCEEDS AND FLOW OF FUNDS - SALES AND USE TAXES

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

Proceeds of a 1% sales and use tax levied by the City in 1966. (2017 collections \$992,412). Collections are accounted for in the General Fund. Proceeds of this tax shall be used for the following purposes: construction, acquisition, improvement, maintenance and repairs of streets, capital improvements, public works and buildings (including the acquisition of sites and necessary fixtures, equipment, furnishings and appurtenances, and the payment of obligations and refunding obligations which have been or may be issued for the purpose of acquiring and improving public works and buildings); for payment or supplementing salaries of all municipal employees; for the operation of recreational facilities; for the acquisition,

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 11 DEDICATION OF PROCEEDS AND FLOW OF FUNDS - SALES AND USE TAXES (CONTINUED)

maintenance, repairs and payment of operating expenses of equipment, vehicles, and other machinery owned by the municipality; and for any other public purpose authorized by state law.

Proceeds of a 3/10 of 1% sales and use tax levied by the City in 1983. (2017 collections \$268,253). Collections are accounted for in the General Fund. Proceeds are dedicated to the following purposes: operating and maintaining the municipal police department, the municipal fire department and the volunteer fire department including paying or supplementing the salaries of municipal employees and personnel of those respective departments; and for the purpose of purchasing, constructing, acquiring, extending and/or improving all or any portion of public works or capital improvements, utilized or occupied by said departments.

Proceeds of a 3/4 of 1% sales and use tax levied by the City in 1973. (2017 collections \$876,017). Collections are accounted for in the Liquid and Solid Waste Fund—a special revenue fund. Proceeds are to be used for the construction, acquisition, extension, improvement, operation, and maintenance of solid waste collection and disposal facilities, sewers and sewerage disposal works, and other facilities for pollution control and abatement; and to pay debt service requirements on bonds issued for any of the above-mentioned purposes.

NOTE 12 EMPLOYEE RETIREMENT

Plan descriptions

Eligible employees of the City participate in one of four multiple-employer public employee retirement systems (PERS): Municipal Employees' Retirement System of Louisiana Plan A, Municipal Police Employees' Retirement System, the Louisiana State Employees' Retirement System, and the Firefighters' Retirement System of Louisiana. Each plan is controlled and administered by a separate board of trustees. These retirement systems provide retirement, disability, and death benefits to plan members and their beneficiaries. Pertinent information relative to each plan follows:

Municipal Employees' Retirement System of Louisiana Plan A

The Municipal Employees' Retirement System of Louisiana (MERS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. MERS was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. MERS provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of MERS. The City participates in Plan A of MERS.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained at www.mersla.com.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Municipal Police Employees' Retirement System

The Municipal Police Employees' Retirement System of Louisiana (MPERS) is the administrator of a cost-sharing multiple-employer plan. MPERS was originally established by Act 189 of the 1973 regular session of the Legislature of the State of Louisiana and amended by Louisiana Revised Statute (LRS) 11:2211-11:2233.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained at www.lampers.org.

Louisiana State Employees' Retirement System

The Louisiana State Employees' Retirement System (LASERS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. Section 401 of Title 11 of the Louisiana Revised Statutes (LRS 11:401) grants to LASERS Board of Trustees and the Louisiana Legislature the authority to review administration, benefit terms, investments, and funding of the plan. The judge for the City Court is provided with pensions through LASERS.

LASERS issues a publicly available financial report that can be obtained at www.lasersonline.org.

Firefighters' Retirement System of Louisiana

The Firefighters' Retirement System (FFRS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan established by Act 434 of 1979 and amended by LRS 11:2251-11:2272 to provide retirement, disability and survivor benefits to firefighters in Louisiana.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained at www.ffret.com.

Benefits provided

The following descriptions of each plan and its respective benefits are provided for general informational purposes only. Participants should refer to the appropriate statutes for complete information.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Municipal Employees' Retirement System of Louisiana Plan A

Eligibility Requirements:

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

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

Benefits:

MERS provides retirement, survivor, deferred retirement option plan (DROP), and disability benefits.

1. Retirement Benefits:

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

- a. Any age with twenty-five (25) or more years of creditable service.
- b. Age 60 with a minimum of ten (10) years of creditable service.
- c. Any age with five (5) years of creditable service eligible for disability benefits.
- d. Survivor's benefits require five (5) or more years creditable service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated).
- e. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. An additional regular retirement benefit can be received for any city marshal or deputy city marshal.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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

- a. Age 67 with seven (7) years of creditable service.
- b. Age 62 with ten (10) years of creditable service.
- c. Age 55 with thirty (30) years of creditable service.
- d. Any age with twenty five (25) years of creditable service with an actuarially reduced early benefit.
- e. Survivor's benefits require five (5) or more years creditable service with legal spouse at least last 12 months before death – 40% at age 60 or minimum of 20% immediately (actuarially calculated).

Generally, the monthly amount of the retirement allowance for any member of Plan A Tier 2 shall consist of an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Any city marshal or deputy city marshal shall receive an additional regular benefit computed on supplemental marshal's earnings.

2. Survivor Benefits:

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

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

Any member of Plan A who had not withdrawn their accumulated contributions and had at least twenty (20) years of service credit at time of death, surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

3. Deferred Retirement Option Plan (DROP) Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of MERS has been terminated for at least one full year.

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

4. Disability Benefits:

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

Cost of Living Adjustments:

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

Deferred Benefits:

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Municipal Police Employees' Retirement System

Eligibility Requirements:

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria.

Benefits:

MPERS provides retirement, deferred retirement option plan (DROP), and initial benefit option plan (IBO) benefits.

1. Retirement Benefits:

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

- a. Any age with twenty-five (25) years of creditable service.
- b. Age 50 with a minimum of twenty (20) years of creditable service.
- c. Age 55 with a minimum of twelve (12) years of creditable service.

A member is eligible for early retirement after he has been a member of MPERS for 20 years of creditable service at any age with an actuarially reduced benefit.

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

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

For members hired on or after January 1, 2013, eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Under the Hazardous Duty sub plan, eligibility for regular retirement is as follows:

- a. Any age with twenty-five (25) or more years of creditable service.
- b. Age 55 with twelve (12) or more years of creditable service.

Under the Non Hazardous Duty sub plan, eligibility for regular retirement is as follows:

- a. Any age with thirty (30) or more years of creditable service.
- b. Age 55 with twenty-five (25) or more years of creditable service.
- c. Age 60 with ten (10) or more years of creditable service.

Under both sub plans, a member is eligible for early retirement after he has been a member of MPERS for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

2. Deferred Retirement Option Plan (DROP) Benefits:

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in MPERS is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into MPERS shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of MPERS's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

to January 1, 2004, an irrevocable election is made to earn interest based on MPERS's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account and earn interest at the money market rate.

3. Initial Benefit Option Plan (IBO):

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

Cost of Living Adjustments:

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

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Louisiana State Employees' Retirement System

Eligibility Requirements:

All state employees, except those specifically excluded by statute, become members of the LASERS Defined Benefit Plan (DBP) as a condition of employment, unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the Governor may, at their option, become members of LASERS. Also, qualifying unclassified state employees may have made an irrevocable election to participate in the Optional Retirement Plan (ORP) between July 12, 1999 and December 7, 2007, when the plan closed. All plans are considered one pension plan for financial reporting purposes. All assets accumulated for the payment of benefits may legally be used to pay benefits to any plan members or beneficiaries.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Benefits:

LASERS provides retirement, deferred retirement option plan (DROP), disability, and survivors benefits.

1. Retirement Benefits:

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service. The retirement criteria for rank and file members hired prior to July 1, 2006, are as follows:

- a. Any age with thirty (30) years of creditable service with full benefits.
- b. Age 60 with ten (10) years of creditable service with full benefits.
- c. Any age with twenty (20) years creditable service with an actuarially reduced benefit.

The retirement criteria for members hired between July 1, 2006 and June 30, 2015, are as follows:

- a. Age 60 with five (5) years of creditable service with full benefits.
- b. Any age with twenty (20) years creditable service with an actuarially reduced benefit.

The retirement criteria for members hired on or after July 1, 2015, are as follows:

- a. Age 62 with five (5) years of creditable service with full benefits.
- b. Any age with twenty (20) years creditable service with an actuarially reduced benefit.

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges.

The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Under the new regular and judge plans, eligibility for regular retirement is as follows:

- a. Any age with twenty (20) years of creditable service with reduced benefit.
- b. Age 60 with five (5) years of creditable service.

Under the hazardous duty plan, eligibility for regular retirement is as follows:

- a. Any age with twenty-five (25) years of creditable service.
- b. Age 55 with twelve (12) years of creditable service.
- c. Any age with twenty (20) years of creditable service with reduced benefit.

Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, was eliminated by Act 992. Specialty plan and regular members, hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members.

Under the new regular and judge plans, eligibility for regular retirement is as follows:

- a. Any age with twenty (20) years of creditable service with reduced benefit.
- b. Age 62 with five (5) years of creditable service.

Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

Members of the Harbor Police Retirement System who were members prior to July 1, 2014, may retire after 25 years of creditable service at any age, 12 years of creditable service at age 55, 20 years of creditable service at age 45, and 10 years of creditable

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

service at age 60. Average compensation for the plan is the member's average annual earned compensation for the highest 36 consecutive months of employment, with a 3.33% accrual rate.

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

2. Deferred Retirement Option Plan (DROP) Benefits:

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

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

3. Disability Benefits:

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

Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees of LASERS.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

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

4. Survivor's Benefits:

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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

Cost of Living Adjustments:

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

Firefighters' Retirement System of Louisiana

Eligibility Requirements:

Membership in FFRS is a condition of employment for any full-time firefighters who earn at least \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the FFRS. Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment. No person who has attained age fifty or over shall become a member of FFRS, unless the person becomes a member by reason of a merger or unless FFRS received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of eighteen years shall become a member of FFRS.

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

Benefits:

FFRS provides retirement, death, disability, deferred retirement option plan (DROP), and initial benefit option plan (IBO) benefits.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

1. Retirement Benefits:

The annual pension benefit for members is equal to 3 1/3% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity. A member of FFRS can retire providing the member meets one of the following criteria:

- a. Any age with twenty-five (25) years of service.
- b. Age 50 with twenty (20) years of service.
- c. Age 55 with twelve (12) years of service.

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. An employee may elect an unreduced benefit or any of seven options at retirement. The options are as follows:

- a. At death, their beneficiary will receive a lump sum payment based on the present value of the employee's annuity account balance.
- b. At death, their beneficiary will receive a life annuity equal to the employee's reduced retirement allowance.
- c. At death, their beneficiary will receive a life annuity equal to half of the employee's reduced retirement allowance.
- d. Any other benefit certified by the actuary and approved by the Board of Trustees that will be equivalent in value to the employee's retirement allowance limited to a spouse and/or minor children.
- e. The member can select a reduced option 2 benefit. However, if the beneficiary predeceases the retiree, the benefit will convert to the maximum. This option is limited to a spouse and/or minor children or handicapped children.
- f. The member can select a reduced option 3 benefit. However, if the beneficiary predeceases the retiree, the benefit will convert to the maximum. This option is limited to a spouse and/or minor children.
- g. The member can select to receive a guaranteed 2 1/2% COLA every year beginning when the member reaches age 55. In exchange for this COLA, the member takes an actuarially reduced benefit upon retirement.

2. Death Benefits:

If an active employee dies and is not eligible for retirement, his survivors shall be paid:

- a. If the employee is not eligible to retire and dies in the line of duty, their spouse will receive monthly, an annual benefit equal to 2/3 of the employee's average final compensation. If death is not in the line of duty, the spouse will receive monthly,

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

an annual benefit equal to 3.0% of the member's average final compensation multiplied by his total years of service; however, the benefit shall not be less than 40.0%, or more than 60.0% of the employee's average final compensation.

- b. Children of deceased employees will receive the greater of \$200 or 10.0% of the member's final average compensation per month until reaching the age of 18 or until the age of 22, if enrolled full time in an institution of higher education. The surviving totally physically handicapped or mentally retarded child of a deceased employee, regardless of age, shall receive the benefits as long as they are dependent on the surviving spouse.
- c. If an employee, who is eligible to retire, dies before retiring, the designated beneficiary shall be paid under option 2, survivor benefit equal to member's benefit.

3. Disability Benefits:

If an eligible member is officially certified as disabled by the State Medical Disability Board, he shall receive the greater retirement, if eligible for disability benefits as follows:

- a. Any member totally disabled from injury received in the line of duty, shall be paid, on a monthly basis, an annual pension of 60.0% of the average final compensation being received at the time of the disability.
- b. Any member of FFRS who has become disabled or incapacitated because of continued illness or as a result of any injury received, even though not in the line of duty, and who has 5 years of creditable service, but is not eligible for retirement under the provisions of LRS 11:2256 may apply for retirement under the provisions of LRS 11:2258 and shall be retired on 75.0% of the retirement salary to which he would be entitled under LRS 11:2256 if he were otherwise eligible there under or 25.0% of the member's average salary, whichever is greater.
- c. Any retired member or DROP plan participant who becomes disabled for any reason provided for by law shall be permitted to apply for conversion of a service retirement to a service connected disability retirement under LRS 11:2258(B)(1)(e).
- d. Should a member who is on disability retirement die and leave a surviving spouse, the surviving spouse shall receive a benefit of \$200 per month. When the member takes disability retirement, he may, in addition, take an actuarially reduced benefit in which case the member's surviving spouse shall receive 50% of the disability benefit being paid immediately prior to the death of the disabled retiree. If the surviving spouse remarries prior to age 55, such benefits shall cease; however, the benefits shall resume upon subsequent divorce or death of the new spouse, and the approval of the board of trustees.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

4. Deferred Retirement Option Plan (DROP) Benefits:

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

Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to FFRS cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account or an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit.

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to FFRS. No payments may be made from the deferred retirement option plan account until the participant retires.

5. Initial Benefit Option Plan (IBO):

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

Contributions

Municipal Employees' Retirement System of Louisiana Plan A

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2016, the actual employer and employee contribution rates for Plan A were 19.75% and 9.50%, respectively. Contributions to MERS Plan A from the City were \$291,496 for the year ended June 30, 2016.

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

Municipal Police Employees' Retirement System

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

For the year ended June 30, 2016, total contributions due from employers and employees was 39.5%. The employer and employee contribution rates for members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 29.5% and 10%, respectively. The employer and employee contribution rates for all Non Hazardous Duty members hired after January 1, 2013 were 31.5% and 8%, respectively. The employer and employee contribution rates for members whose earnable compensation is less than or equal to the poverty guidelines issued by the U.S. Department of Health and Human Services were 32% and 7.5%, respectively. Contributions to MPERS from the City were \$98,726 for the year ended June 30, 2016.

MPERS also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2016 and excluded from pension expense.

Louisiana State Employees' Retirement System

Employee contribution rates for LASERS are established by LRS 11:62. The employer contribution rates are established annually under LRS 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of LASERS's Actuary. Each plan pays a separate actuarially determined employer contribution rate. However, all assets of LASERS are used for the payment of benefits for all classes of members, regardless of their plan membership. The employer contribution rate for elected judges hired after December 31, 2010 for the year ended June 30, 2016 was 39.3%. Contributions to LASERS from the City were \$8,793 for the year ended June 30, 2016.

Firefighters' Retirement System of Louisiana

Employer contributions are actuarially determined each year. For the year ended June 30, 2016, employer and employee contributions for members above the poverty line were 27.25% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 29.25% and 8.0%, respectively. Contributions to FFRS from the City were \$46,520 for the year ended June 30, 2016.

FFRS also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2016 and excluded from pension expense.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At April 30, 2017, the City reported liabilities in its government-wide financial statements of \$4,323,909 and \$749,906 in its governmental activities and its business-type activities, respectively for its proportionate share of the Net Pension Liabilities of MERS, MPERS, LASERS, and FFRS. The Net Pension Liabilities were measured as of June 30, 2016 and the total pension liability used to calculate the Net Position Obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. The City's proportion of the MERS and MPERS Net Pension Liabilities was based on each employer's contributions to MERS and MPERS during the fiscal year ended June 30, 2016 as compared to the total of all employers' contributions received by MERS and MPERS during the fiscal year ended June 30, 2016. The City's proportion of the LASERS Net Pension Liability was based on a projection of the City's long-term share of contributions to LASERS relative to the projected contributions of all participating employers, actuarially determined. The City's proportion of the FFRS Net Pension Liability was based on the combined (employer and employee) contributions to FFRS during the fiscal year ended June 30, 2016 as compared to the total of all combined contributions received by FFRS during the fiscal year ended June 30, 2016.

At June 30, 2016, the City's proportion of MERS's Net Pension Liability was 0.826225%, which was a decrease of 0.057176% from its proportion measured as of June 30, 2015. At June 30, 2016, the City's proportion of MPERS's Net Pension Liability was 0.119337%, which was an increase of 0.009827% from its proportion measured as of June 30, 2015. At June 30, 2016, the City's proportion of LASERS's Net Pension Liability was 0.001050%, which was a decrease of 0.000170% from its proportion measured as of June 30, 2015. At June 30, 2016, the City's proportion of FFRS's Net Pension Liability was 0.074360%, which was an increase of 0.016366% from its proportion measured as of June 30, 2015.

For the year ended April 30, 2017, the City recognized pension expense of \$695,775 and \$114,387 in its governmental activities and its business-type activities, respectively.

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 48	\$ 121,308	\$ -	\$ 23,551
Changes of assumptions	154,730	203	27,121	-
Net difference between projected and actual earnings on pension plan investments	902,507	-	170,143	-
Changes in proportion	376,735	141,407	26,233	24,886
Differences between employer contributions and proportionate share of contributions	1,484	7,631	-	426
Employer contributions subsequent to the measurement date	<u>291,644</u>	<u>-</u>	<u>56,739</u>	<u>-</u>
Total	<u>\$1,727,148</u>	<u>\$ 270,549</u>	<u>\$ 280,236</u>	<u>\$ 48,863</u>

\$348,383 reported as 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 ended April 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending April 30,	Governmental Activities	Business-Type Activities	Total
2018	\$ 395,926	\$ 69,367	\$ 465,293
2019	220,637	23,743	244,380
2020	348,551	55,130	403,681
2021	185,930	26,394	212,324
2022	2,816	-	2,816
2023	<u>11,095</u>	<u>-</u>	<u>11,095</u>
Total	<u>\$ 1,164,955</u>	<u>\$ 174,634</u>	<u>\$ 1,339,589</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Municipal Employees' Retirement System of Louisiana Plan A

Actuarial Cost Method	Entry Age Normal Cost
Actuarial Cost Assumptions:	
Expected Remaining	
Service Lives	3 years
Investment Rate of Return	7.50%
Inflation Rate	2.875%
Projected Salary Increases	5.0%, including inflation and merit increases
Mortality Rates	RP-2000 Employee Table for active members (set back 2 years for males and females) RP-2000 Healthy Annuitant Sex Distinct Mortality Tables for healthy annuitants (set forward 2 years for males and 1 year for females) projected to 2028 using scale AA RP-2000 Disabled Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by MERS and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study for the period July 1, 2009 through June 30, 2014.

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50.00%	2.50%
Public fixed income	35.00%	1.80%
Alternatives	<u>15.00%</u>	<u>0.80%</u>
Totals	100.00%	5.10%
Inflation		<u>2.50%</u>
Expected Arithmetic Nominal Return		<u>7.60%</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Municipal Police Employees' Retirement System

Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Cost Assumptions:		
Expected Remaining		
Service Lives	4 years	
Investment Rate of Return	7.5%, net of investment expense	
Inflation Rate	2.875%	
Salary Increases, including		
inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Mortality Rates	RP-2000 Employee Table for active members (set back 4 years for males and 3 years for females) RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale A for healthy annuitants (set back 1 year for females) RP-2000 Disabled Lives Table for disabled annuitants (set back 5 years for males and 3 years for females)	
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by MPERS and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of MPERS's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 8.25% for the year ended June 30, 2016.

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

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	53.00%	3.69%
Fixed income	21.00%	0.49%
Alternative	20.00%	1.11%
Other	<u>6.00%</u>	<u>0.21%</u>
Totals	100.00%	5.50%
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>8.25%</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Louisiana State Employees' Retirement System

Actuarial Cost Method	Entry Age Normal																					
Actuarial Cost Assumptions:																						
Expected Remaining																						
Service Lives	3 years																					
Investment Rate of Return	7.75% per annum, net of investment expense*																					
Inflation Rate	3.0% per annum																					
Salary Increases	Salary increases were projected based on a 2009-2013 experience study of LASERS's members. The salary increase ranges for specific types of members are:																					
	<table border="0"> <tr> <td></td> <td style="text-align: center;">Lower</td> <td style="text-align: center;">Upper</td> </tr> <tr> <td style="text-align: center;"><u>Member Type</u></td> <td style="text-align: center;"><u>Range</u></td> <td style="text-align: center;"><u>Range</u></td> </tr> <tr> <td>Regular</td> <td style="text-align: center;">4.0%</td> <td style="text-align: center;">13.0%</td> </tr> <tr> <td>Judges</td> <td style="text-align: center;">3.0%</td> <td style="text-align: center;">5.5%</td> </tr> <tr> <td>Corrections</td> <td style="text-align: center;">3.6%</td> <td style="text-align: center;">14.5%</td> </tr> <tr> <td>Hazardous Duty</td> <td style="text-align: center;">3.6%</td> <td style="text-align: center;">14.5%</td> </tr> <tr> <td>Wildlife</td> <td style="text-align: center;">3.6%</td> <td style="text-align: center;">14.5%</td> </tr> </table>		Lower	Upper	<u>Member Type</u>	<u>Range</u>	<u>Range</u>	Regular	4.0%	13.0%	Judges	3.0%	5.5%	Corrections	3.6%	14.5%	Hazardous Duty	3.6%	14.5%	Wildlife	3.6%	14.5%
	Lower	Upper																				
<u>Member Type</u>	<u>Range</u>	<u>Range</u>																				
Regular	4.0%	13.0%																				
Judges	3.0%	5.5%																				
Corrections	3.6%	14.5%																				
Hazardous Duty	3.6%	14.5%																				
Wildlife	3.6%	14.5%																				
Mortality Rates	RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015 for non-disabled members RP-2000 Disabled Retiree Mortality Table with no projection for mortality improvement for disabled members																					
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five year (2009-2013) experience study of LASERS's members.																					
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by LASERS and includes previously granted cost of living increases. The projected benefit payments do not include provisions for the potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																					

*The investment rate of return used in the actuarial valuation for funding purposes was 8.15%, recognizing an additional 25 basis points for gain-sharing and 15 basis points to offset administrative expenses.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.72% for 2016.

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	0.00%	-0.24%
Domestic equity	25.00%	4.31%
International equity	32.00%	5.48%
Domestic fixed income	8.00%	1.63%
International fixed income	6.00%	2.47%
Alternative investments	22.00%	7.42%
Global tactical asset allocation	<u>7.00%</u>	2.92%
Totals	<u>100.00%</u>	5.30%

Firefighters' Retirement System of Louisiana

Actuarial Cost Method	Entry Age Normal Cost
Actuarial Cost Assumptions:	
Expected Remaining	
Service Lives	7 years
Investment Rate of Return	7.5% per annum (net of fees)
Inflation Rate	2.875% per annum
Salary Increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Mortality Rates	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA for employees, healthy annuitants, and beneficiaries RP-2000 Disabled Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)
Cost of Living Adjustments	Only those previously granted

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of FFRS's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 8.34% as of June 30, 2016.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	24.00%	1.85%
Equity	58.00%	6.77%
Alternatives	8.00%	6.67%
Other	<u>10.00%</u>	<u>4.30%</u>
Totals	100.00%	5.34%
Inflation		<u>3.00%</u>
Expected Arithmetic Nominal Return		<u>8.34%</u>

Discount Rate

Municipal Employees' Retirement System of Louisiana Plan A

The discount rate used to measure the total pension liability was 7.5% for the year ended June 30, 2016, which was equal to the discount rate used to measure the total pension liability at June 30, 2015.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Retirement Systems' Actuarial Committee. Based on those assumptions, MERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Municipal Police Employees' Retirement System

The discount rate used to measure the total pension liability was 7.50% for the year ended June 30, 2016, which was equal to the discount rate used to measure the total pension liability at June 30, 2015.

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

Louisiana State Employees' Retirement System

The discount rate used to measure the total pension liability was 7.75% for the year ended June 30, 2016, which was equal to the discount rate used to measure the total pension liability at June 30, 2015.

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

Firefighters' Retirement System of Louisiana

The discount rate used to measure the total pension liability was 7.5% for the year ended June 30, 2016, which was equal to the discount rate used to measure the total pension liability at June 30, 2015.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Municipal Employees' Retirement System of Louisiana Plan A

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of June 30, 2016:

	1.0% Decrease	Current	1.0% Increase
	6.50%	Discount Rate	8.50%
	6.50%	7.50%	8.50%
City's proportionate share of the net pension liability	\$ 4,304,817	\$ 3,386,457	\$ 2,602,814

Municipal Police Employees' Retirement System

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of June 30, 2016:

	1.0% Decrease	Current	1.0% Increase
	6.50%	Discount Rate	8.50%
	6.50%	7.50%	8.50%
City's proportionate share of the net pension liability	\$ 1,491,089	\$ 1,118,524	\$ 805,722

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Louisiana State Employees' Retirement System

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of June 30, 2016:

	1.0% Decrease	Current	1.0% Increase
	6.75%	Discount Rate	8.75%
	6.75%	7.75%	8.75%
City's proportionate share of the net pension liability	\$ 101,300	\$ 82,452	\$ 66,437

Firefighters' Retirement System of Louisiana

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of June 30, 2016:

	1.0% Decrease	Current	1.0% Increase
	6.50%	Discount Rate	8.50%
	6.50%	7.50%	8.50%
City's proportionate share of the net pension liability	\$ 662,656	\$ 486,382	\$ 338,138

Support of Non-employer Contributing Entities

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The City recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended April 30, 2017, the City recognized revenue of \$79,212 and \$11,514 in its governmental activities and its business type activities, respectively as a result of support received from non-employer contributing entities for its participation in MERS, MPERS, and FFRS.

Pension Plan Fiduciary Net Position

Municipal Employees' Retirement System of Louisiana Plan A

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Municipal Police Employees' Retirement System

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

Louisiana State Employees' Retirement System

Detailed information about the pension plan's fiduciary net position is available in the separately issued LASERS Comprehensive Annual Financial Report at www.lasersonline.org.

Firefighters' Retirement System of Louisiana

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for FFRS at www.lafirefightersret.com.

Social Security Contributions

Employees of the City are also covered under the Federal Insurance Contributions Act (Social Security). The City makes the required contributions to the various plans and is not responsible for the benefits.

NOTE 13 CITY OF FRANKLIN FUNDED PENSION PLAN

The following information conforms to the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as amended by GASB Statement No. 50, *Pension Disclosures*.

Prior to 1976, the City had its own pension plan covering eligible employees. The City is still paying retirement benefits from City funds to an eligible spouse of a retired member in accordance with the policies, terms, and rates of the Franklin Police Retirement System which was in effect prior to joining the state system. The City is funding the pension costs when benefits are paid to this spouse. For the year ended April 30, 2017, an actuarial valuation was performed to determine the City's annual required contribution (ARC) and the net pension obligation (NPO).

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 13 CITY OF FRANKLIN FUNDED PENSION PLAN (CONTINUED)

The current year annual pension cost and net pension obligation were as follows:

Annual required contribution	\$ 7,608
Interest on net pension obligation	1,163
Adjustment to annual required contribution	<u>(4,356)</u>
Net annual pension costs	4,415
Contributions made	<u>(7,422)</u>
Decrease in net pension obligation	(3,007)
Net pension obligation - beginning of year	<u>46,501</u>
Net pension obligation - end of year	<u>\$ 43,494</u>

Actuarial Assumptions:

Valuation date	April 30, 2017
Actuarial cost method	Projected unit credit
Asset valuation method	Market value of assets
Inflation rate	None
Long term rate of return	2.50%
Remaining amortization period	7.04 years based on mortality tables

The City funds no other material post-retirement benefits for its former employees.

NOTE 14 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. However, it is the policy of the City to retain the risk of losses related to general public liability (excluding vehicles and buildings).

The City is insured up to policy limits for each of the above risks. There were no significant changes in coverage, retentions, or limits during the year ended April 30, 2017. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

NOTE 15 PENDING LITIGATION

There are several claims pending against the City. The City's legal counsel has reviewed the City's claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City. It is the opinion of the City, after conferring with legal counsel, that the liabilities, if any, which might arise from these lawsuits would not have a material adverse effect on the City's financial position.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 16 FUND BALANCES

Fund balances are classified as follows:

Nonspendable Fund Balance—amounts that are not in spendable form or are required to be maintained intact.

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.

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.

Assigned Fund Balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City delegates the authority.

Unassigned Fund Balance—amounts that are available for any purpose.

The following is a schedule of fund balances as of April 30, 2017:

	<u>General Fund</u>	<u>Liquid and Solid Waste Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid Expenses	\$ 63,740	\$ 15,241	\$ -	\$ 78,981
Perpetual Care	32,855	-	-	32,855
Restricted:				
Debt Service	-	-	177,478	177,478
School Lunch Program	-	-	7,796	7,796
Private Loan Programs	-	-	117,698	117,698
Drug Enforcement	-	-	15,519	15,519
Committed:				
Sewer Operations	-	3,206,106	-	3,206,106
Capital Projects	-	-	27,384	27,384
Assigned:				
Protest Taxes Escrow	61,615	-	-	61,615
Police Operations	33,181	-	-	33,181
Unassigned	<u>1,044,961</u>	<u>-</u>	<u>-</u>	<u>1,044,961</u>
Total fund balances	<u>\$ 1,236,352</u>	<u>\$3,221,347</u>	<u>\$ 345,875</u>	<u>\$ 4,803,574</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 16 FUND BALANCES (CONTINUED)

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

NOTE 17 COMPENSATION OF CITY COUNCIL MEMBERS

Compensation paid to members of the City Council for the year ended April 30, 2017 was as follows:

	Salary	Expense Allowance	Total
Chuck Autin	\$ 6,000	\$ 1,800	\$ 7,800
Joseph Garrison	6,000	1,800	7,800
Eugene Foulcard	6,000	1,800	7,800
Lester Levine	6,000	1,800	7,800
Jamie Robison	6,000	1,800	7,800
	<u>\$ 30,000</u>	<u>\$ 9,000</u>	<u>\$ 39,000</u>

NOTE 18 COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD

Agency Head Name: Mayor Raymond Harris, Jr.

Purpose	Amount
Salary	\$ 45,600
Benefits - retirement	10,111
Car allowance	5,850
Cell phone	420
Reimbursements	57
Unvouchered expenses (Expense Allowance)	<u>1,289</u>
Total	<u>\$ 63,327</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule
 General Fund
 Year Ended April 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 525,000	\$ 518,000	\$ 515,819	\$ (2,181)
Interest and notices on ad valorem taxes	4,100	4,100	4,582	482
Sales	1,545,000	1,565,000	1,552,609	(12,391)
Franchise fees	400,000	400,000	417,697	17,697
Intergovernmental:				
Beer taxes	8,500	8,500	9,386	886
Video poker	190,000	175,000	186,944	11,944
Indian gaming	37,000	37,000	42,000	5,000
State grants	50,000	125,000	107,507	(17,493)
Federal grants	200,000	210,000	137,057	(72,943)
St. Mary Parish Council	172,000	218,000	169,139	(48,861)
Other governments	61,000	80,000	100,774	20,774
Licenses and permits	316,000	321,000	389,524	68,524
Fines and forfeitures	79,000	77,000	76,558	(442)
Rentals	68,000	53,000	47,151	(5,849)
Investment earnings	2,500	2,200	2,207	7
Miscellaneous:				
Cemetery plot sales	25,000	15,000	15,700	700
Mausoleum sales	15,000	60,000	57,300	(2,700)
Other sources	<u>50,725</u>	<u>50,700</u>	<u>152,859</u>	<u>102,159</u>
Total revenues	3,748,825	3,919,500	3,984,813	65,313

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government -				
Administrative	\$ 262,055	\$ 259,500	\$ 266,879	\$ (7,379)
Judicial	272,400	286,620	307,639	(21,019)
Public Safety -				
Police	1,231,970	1,202,070	1,298,181	(96,111)
Fire	508,400	514,600	574,897	(60,297)
Public works -				
Streets and drainage	625,200	592,000	616,727	(24,727)
Other funding	220,400	289,000	299,757	(10,757)
Recreation	254,400	234,260	252,460	(18,200)
Community development	140,300	144,950	158,222	(13,272)
Debt Service -				
Principal	75,000	75,000	75,000	-
Interest and fiscal charges	55,000	50,000	58,034	(8,034)
Capital Outlay -				
Police	-	12,000	12,047	(47)
Fire	-	82,900	81,611	1,289
Public works	10,000	27,500	27,492	8
Total expenditures	<u>3,655,125</u>	<u>3,770,400</u>	<u>4,028,946</u>	<u>(258,546)</u>
Excess (deficiency) of revenues over expenditures	93,700	149,100	(44,133)	(193,233)
Other financing sources (uses):				
Transfers in	-	5,000	145,600	140,600
Transfers out	<u>(93,700)</u>	<u>(154,100)</u>	<u>(93,996)</u>	<u>60,104</u>
Total other financing sources (uses)	<u>(93,700)</u>	<u>(149,100)</u>	<u>51,604</u>	<u>200,704</u>
Change in fund balance	-	-	7,471	7,471
Fund balance, beginning	<u>1,228,881</u>	<u>1,228,881</u>	<u>1,228,881</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,228,881</u>	<u>\$ 1,228,881</u>	<u>\$ 1,236,352</u>	<u>\$ 7,471</u>

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule
Liquid and Solid Waste Fund
Year Ended April 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 221,000	\$ 218,000	\$ 217,768	\$ (232)
Sales	880,000	860,000	876,017	16,017
Intergovernmental:				
St. Mary Parish Council	195,000	165,000	139,820	(25,180)
Charges for services:				
Sewer user fees	250,500	230,000	217,215	(12,785)
Garbage and landfill fees	525,000	520,000	519,306	(694)
Investment earnings	500	400	405	5
Total revenues	<u>2,072,000</u>	<u>1,993,400</u>	<u>1,970,531</u>	<u>(22,869)</u>
Expenditures:				
Sanitation:				
Administrative	303,880	310,920	311,544	(624)
Solid waste department	600,000	583,000	582,787	213
Sewer collection	290,550	297,850	322,247	(24,397)
Sewer plant	595,950	555,500	509,394	46,106
Meter department	57,600	53,000	54,040	(1,040)
Capital Outlay -				
Sewer collection	<u>20,000</u>	<u>25,000</u>	<u>12,000</u>	<u>13,000</u>
Total expenditures	<u>1,867,980</u>	<u>1,825,270</u>	<u>1,792,012</u>	<u>33,258</u>
Excess (deficiency) of revenues over expenditures	204,020	168,130	178,519	10,389
Other financing uses				
Transfers out	<u>(58,800)</u>	<u>(58,800)</u>	<u>(58,902)</u>	<u>102</u>
Total other financing sources (uses)	<u>(58,800)</u>	<u>(58,800)</u>	<u>(58,902)</u>	<u>102</u>
Change in fund balance	145,220	109,330	119,617	10,287
Fund balance, beginning	<u>3,101,730</u>	<u>3,101,730</u>	<u>3,101,730</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,246,950</u>	<u>\$ 3,211,060</u>	<u>\$ 3,221,347</u>	<u>\$ 10,287</u>

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Schedule of Proportionate Share of Net Pension Liability
Municipal Employees' Retirement System of Louisiana Plan A
Year Ended April 30, 2017

Year Ended June 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered employee payroll	Share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.883401%	\$ 3,155,647	\$ 1,497,323	210.75%	66.18%
2016	0.826225%	3,386,457	1,478,889	228.99%	62.11%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Proportionate Share of Net Pension Liability
Municipal Police Employees' Retirement System
Year Ended April 30, 2017

Year Ended June 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered employee payroll	Share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.109510%	\$ 857,896	\$ 280,975	305.33%	70.73%
2016	0.119337%	1,118,524	326,744	342.32%	66.04%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Proportionate Share of Net Pension Liability
 Louisiana State Employees' Retirement System
 Year Ended April 30, 2017

Year Ended June 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered employee payroll	Share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.001220%	\$ 83,114	\$ 21,952	378.62%	62.66%
2016	0.001050%	82,452	22,374	368.52%	57.73%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Proportionate Share of Net Pension Liability
 Firefighters' Retirement System of Louisiana
 Year Ended April 30, 2017

Year Ended June 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered employee payroll	Share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.057994%	\$ 313,000	\$ 114,242	273.98%	72.45%
2016	0.074360%	486,382	169,997	286.11%	68.16%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Contributions
Municipal Employees' Retirement System of Louisiana Plan A
Year Ended April 30, 2017

Year Ended April 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2016	\$ 285,688	\$ 286,869	\$ (1,181)	\$ 1,446,519	19.83%
2017	290,697	289,495	1,202	1,306,502	22.16%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Contributions
Municipal Police Employees' Retirement System
Year Ended April 30, 2017

<u>Year Ended April 30</u>	<u>Statutorily required contribution</u>	<u>Contributions relative to statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2016	\$ 78,612	\$ 86,433	\$ (7,821)	\$ 263,503	32.80%
2017	97,271	96,746	525	310,028	31.21%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Contributions
Louisiana State Employees' Retirement System
Year Ended April 30, 2017

Year Ended April 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2016	\$ 8,431	\$ 8,439	\$ (8)	\$ 21,740	38.82%
2017	7,744	7,758	(14)	20,854	37.20%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Contributions
 Firefighters' Retirement System of Louisiana
 Year Ended April 30, 2017

Year Ended April 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2016	\$ 39,904	\$ 39,619	\$ 285	\$ 144,666	27.39%
2017	38,400	38,603	(203)	150,096	25.72%

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Required Supplementary Information

Notes to the budgetary comparison schedules:

NOTE 1 BASIS OF ACCOUNTING

The budgetary basis is in accordance with generally accepted accounting principles (GAAP).

NOTE 2 BUDGETARY PRACTICES

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Director of Finance, with inputs from the Mayor, City Clerk, and all department heads, submits proposed budgets for the general and special revenue funds to the Finance Committee. Once reviewed and approved by the Finance Committee, the budgets for each fiscal year are submitted to the City Council for approval. This is done no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfers of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the City Council.

CITY OF FRANKLIN, LOUISIANA

Notes to the Required Supplementary Information

Notes to the retirement systems schedules:

NOTE 3 CHANGES OF BENEFIT TERMS

Municipal Employees' Retirement System of Louisiana Plan A

Act 649 requires that during the period of reemployment of a retiree who is first reemployed on or after July 1, 2016, the retiree and his employer make contributions to the retirement system. However, that the retiree shall not receive additional service credit or accrue additional benefits in the retirement system. The act further provides that upon termination of reemployment, employee contributions shall be refunded to the retiree without interest and provides that the retirement system retains the employer contributions and interest.

Municipal Police Employees' Retirement System

There were no changes of benefit terms for the year ended April 30, 2017.

Louisiana State Employees' Retirement System

Act 93 of 2016 provides for a 1.5% permanent benefit increase, calculate on the first \$60,000 of a recipient's benefit for eligible members, effective July 1, 2016. All retirees must have been retired by June 30, 2015 to be eligible. Regular retirees must be at least age 60. There is no age requirement for disability retirees. Non-retire beneficiaries are eligible if the retiree would have attained age 60 by June 30, 2015.

Firefighters' Retirement System of Louisiana

There were no changes of benefit terms for the year ended April 30, 2017.

NOTE 4 CHANGES OF ASSUMPTIONS

Municipal Employees' Retirement System of Louisiana Plan A

There were no changes of benefit assumptions for the year ended April 30, 2017.

Municipal Police Employees' Retirement System

Amounts reported for 2016 and later reflect a change from the use of the RP-2000 Healthy Annuitant Table for healthy annuitants to the use of the RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables Projected to 2029 using Scale AA for healthy annuitants.

Louisiana State Employees' Retirement System

There were no changes of benefit assumptions for the year ended April 30, 2017.

CITY OF FRANKLIN, LOUISIANA

Notes to the Required Supplementary Information

Notes to the retirement systems schedules (Continued):

NOTE 4 CHANGES OF ASSUMPTIONS (CONTINUED)

Firefighters' Retirement System of Louisiana

There were no changes of benefit assumptions for the year ended April 30, 2017.

SUPPLEMENTAL INFORMATION

CITY OF FRANKLIN, LOUISIANA

Combining Balance Sheet
 Nonmajor Governmental Funds
 April 30, 2017

	Special Revenue			Capital Projects	Debt Service	
	Summer Feeding Program Fund	Revolving Loan Fund	Narcotic Aid Fund	Capital Outlay Fund	Consolidated Sewerage District No. 1 Sinking Fund	1998 Sales Tax Fire Equipment Sinking Fund
ASSETS						
Cash and interest bearing deposits	\$ 7,898	\$ 117,698	\$ 15,519	\$ 52,095	\$ -	\$ 296
Special assessments receivable	-	-	-	-	-	-
Loans receivable, net of allowance	-	-	-	-	-	-
Due from other funds	-	-	-	3,050	-	-
Total assets	<u>\$ 7,898</u>	<u>\$ 117,698</u>	<u>\$ 15,519</u>	<u>\$ 55,145</u>	<u>\$ -</u>	<u>\$ 296</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 102	\$ -	\$ -	\$ 27,761	\$ -	\$ -
Contracts payable	-	-	-	-	-	-
Total liabilities	102	-	-	27,761	-	-
Deferred inflows of resources	-	-	-	-	-	-
Fund balances:						
Restricted	7,796	117,698	15,519	-	-	296
Committed	-	-	-	27,384	-	-
Total fund balances	<u>7,796</u>	<u>117,698</u>	<u>15,519</u>	<u>27,384</u>	<u>-</u>	<u>296</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,898</u>	<u>\$ 117,698</u>	<u>\$ 15,519</u>	<u>\$ 55,145</u>	<u>\$ -</u>	<u>\$ 296</u>

Debt Service (Continued)

2000 Water and Sewer Revenue Bond Sinking Fund	2000 Water and Sewer Revenue Bond Reserve Fund	2000 Water and Sewer System Renewal and Replacement Fund	Total Nonmajor Governmental Funds
\$ 46,561	\$ 55,163	\$ 75,458	\$ 370,688
-	-	-	-
-	-	-	-
-	-	-	3,050
<u>\$ 46,561</u>	<u>\$ 55,163</u>	<u>\$ 75,458</u>	<u>\$ 373,738</u>
\$ -	\$ -	\$ -	\$ 27,863
-	-	-	-
-	-	-	27,863
-	-	-	-
46,561	55,163	75,458	318,491
-	-	-	27,384
<u>46,561</u>	<u>55,163</u>	<u>75,458</u>	<u>345,875</u>
<u>\$ 46,561</u>	<u>\$ 55,163</u>	<u>\$ 75,458</u>	<u>\$ 373,738</u>

CITY OF FRANKLIN, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended April 30, 2017

	Special Revenue			Capital Projects	Debt Service	
	Summer Feeding Program Fund	Revolving Loan Fund	Narcotic Aid Fund	Capital Outlay Fund	Consolidated Sewerage District No. 1 Sinking Fund	1998 Sales Tax Fire Equipment Sinking Fund
Revenues:						
Intergovernmental						
Federal sources	\$ 51,219	\$ -	\$ -	\$ -	\$ -	\$ -
Parish sources	-	-	-	-	-	-
Other sources	-	-	-	241,995	-	-
Assessments	-	-	-	-	4,433	-
Charges for services	-	-	7,719	-	-	-
Investment earnings	-	59	4	12	-	17
Total revenues	51,219	59	7,723	242,007	4,433	17
Expenditures:						
Current -						
Public safety:						
Police	-	-	2,797	-	-	-
Food services	48,528	-	-	-	-	-
Miscellaneous	-	-	-	50	-	-
Capital outlay	-	-	-	307,648	-	-
Debt Service -						
Principal	-	-	-	-	4,324	88,782
Interest	-	-	-	-	280	4,844
Total expenditures	48,528	-	2,797	307,698	4,604	93,626
Excess (deficiency) of revenues over expenditures	2,691	59	4,926	(65,691)	(171)	(93,609)
Other financing sources (uses)						
Transfers in	-	-	-	18,577	102	45,419
Change in fund balances	2,691	59	4,926	(47,114)	(69)	(48,190)
Fund balances, beginning	5,105	117,639	10,593	74,498	69	48,486
Fund balances, ending	<u>\$ 7,796</u>	<u>\$ 117,698</u>	<u>\$ 15,519</u>	<u>\$ 27,384</u>	<u>\$ -</u>	<u>\$ 296</u>

Debt Service (Continued)

2000 Water and Sewer Revenue Bond Sinking Fund	2000 Water and Sewer Revenue Bond Reserve Fund	2000 Water and Sewer System Renewal and Replacement Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 51,219
-	-	-	-
-	-	-	241,995
-	-	-	4,433
-	-	-	7,719
<u>27</u>	<u>23</u>	<u>32</u>	<u>174</u>
27	23	32	305,540
-	-	-	2,797
-	-	-	48,528
-	-	-	50
-	-	-	307,648
46,000	-	-	139,106
<u>7,287</u>	<u>-</u>	<u>-</u>	<u>12,411</u>
<u>53,287</u>	<u>-</u>	<u>-</u>	<u>510,540</u>
(53,260)	23	32	(205,000)
<u>58,800</u>	<u>-</u>	<u>-</u>	<u>122,898</u>
5,540	23	32	(82,102)
<u>41,021</u>	<u>55,140</u>	<u>75,426</u>	<u>427,977</u>
<u>\$ 46,561</u>	<u>\$ 55,163</u>	<u>\$ 75,458</u>	<u>\$ 345,875</u>

**INTERNAL CONTROL
AND
COMPLIANCE**



**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***

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 Brandon L. Porter, CPA
 Brandon R. Dunphy, CPA
 Robert C. Darnall, CPA, CVA, M.S.

The Honorable Raymond Harris, Jr., Mayor
 and Members of the City Council
 City of Franklin, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Louisiana, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Franklin, Louisiana's basic financial statements, and have issued our report thereon dated October 9, 2017. Our report includes a reference to other Certified Public Accountants who reviewed the financial statements of the City Court of the City of Franklin and the Ward Three Marshal of the Parish of St. Mary, as described in our report on the City of Franklin, Louisiana's financial statements. This report does not include the results of the other Certified Public Accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those Certified Public Accountants.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant*

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Franklin, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-001.

City of Franklin, Louisiana's Response to Finding

City of Franklin, Louisiana's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City of Franklin, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Darnall, Sikes, Gardes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana
October 9, 2017

CITY OF FRANKLIN, LOUISIANA

Summary Schedule of Prior Year Findings
Year Ended April 30, 2017

Section I Internal Control and Compliance Material to the Financial Statements

2016-001 Noncompliance with the Louisiana Local Government Budget Act

Condition: Expenditures of the General Fund exceeded the budgeted amount by five percent or more.

Recommendation: Management should periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to maintain compliance with state statutes.

Status: This finding is unresolved. See current year finding 2017-001.

2016-002 Misappropriation of Public Funds

Condition: Funds of the City Court of Franklin, a component unit of the City of Franklin, Louisiana, were misappropriated by the Court's former Civil Clerk, Michelle Berry. Cash and money orders payable to the City Court of Franklin were deposited by Berry into her personal checking account over a period of approximately six months from January 2016 through June 2016. The amount of cash and money orders which were found to be misappropriated was approximately \$15,500. The police department of the City of Franklin and the 16th Judicial District Attorney's Office were notified shortly after management's discovery of the misappropriation. The Louisiana Legislative Auditor was also notified, in writing, upon management's discovery of the misappropriation. The investigation is complete. Warrants were issued, and Berry was arrested on the charges of felony theft over \$5,000 and malfeasance in office on June 23, 2016. Adjudication of the case is pending. No restitution has been made for the funds which were misappropriated. A claim has been filed under a \$5,000 surety bond.

Recommendation: Management should implement policies and procedures to strengthen internal controls over the accounting function at the City Court.

Status: This finding has been resolved. See current year finding 2017-002.

CITY OF FRANKLIN, LOUISIANA

Summary Schedule of Prior Year Findings (Continued)
Year Ended April 30, 2017

Section II Internal Control and Compliance Material to the Federal Awards

At April 30, 2016, the City of Franklin, Louisiana did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore, this section is not applicable.

Section III Management Letter

A management letter was not issued for the year ended April 30, 2016.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Responses
Year Ended April 30, 2017

Part 1 Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on the primary government's governmental activities, business-type activity, and each major fund financial statements as of and for the year ended April 30, 2017.

Deficiencies in Internal Control - Financial Reporting

Our consideration of internal control over financial reporting did not disclose any deficiencies in internal control which are required to be reported under *Government Auditing Standards*.

Material Noncompliance - Financial Reporting

The results of our tests disclosed one instance of noncompliance which is required to be reported under *Government Auditing Standards* and is listed as item 2017-001 in Part 2.

FEDERAL AWARDS

This section is not applicable for the year ended April 30, 2017.

MANAGEMENT LETTER

A separate management letter was not issued for the year ended April 30, 2017.

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

2017-001 Noncompliance with the Louisiana Local Government Budget Act

Criteria: Louisiana R.S. 39:1311 requires that budgets be amended when actual receipts plus projected revenue collections for the year fail to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceed budgeted expenditures by five percent or more.

Condition: Expenditures of the General Fund exceeded the budgeted amount by five percent or more.

Cause: Failure to properly monitor the expenditures of the General Fund led to this condition.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Responses (Continued)
Year Ended April 30, 2017

Part 2 Findings Relating to an Audit in Accordance with *Government Auditing Standards* (Continued)

Effect: Budgetary compliance violations and/or errors or irregularities may not be prevented and/or detected in a timely manner.

Recommendation: Management should periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to maintain compliance with state statutes.

Views of Responsible Officials and Planned Corrective Actions: This information is in the City's separate Management's Corrective Action Plan for Current Year Findings.

2017-002 Misappropriation of Public Funds

Criteria: Louisiana R.S. 14:67.A. provides that "[t]heft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential."

Condition: Funds of the City Court of Franklin, a component unit of the City of Franklin, Louisiana, were misappropriated by the Court's former Civil Clerk, Michelle Berry. Cash and money orders payable to the City Court of Franklin were deposited by Berry into her personal checking account over a period of approximately six months from January 2016 through June 2016. The amount of cash and money orders which were found to be misappropriated was approximately \$15,500. Of that amount, approximately \$8,220 was found to be misappropriated during May and June 2016. The police department of the City of Franklin and the 16th Judicial District Attorney's Office were notified shortly after management's discovery of the misappropriation. The Louisiana Legislative Auditor was also notified, in writing, upon management's discovery of the misappropriation. The investigation is complete. Warrants were issued, and Berry was arrested on the charges of felony theft over \$5,000 and malfeasance in office on June 23, 2016. Adjudication of the case is pending. No restitution has been made for the funds which were misappropriated. A claim was filed under a \$5,000 surety bond, which has been subsequently paid by the surety.

Cause: Inadequate segregation of duties in the accounting function at the City Court allowed the misappropriation to occur and not be detected in a timely manner.

Effect: Public funds were misappropriated.

Recommendation: Management should implement policies and procedures to strengthen internal controls over the accounting function at the City Court.

Views of Responsible Officials and Planned Corrective Actions: This information is in the City's separate Management's Corrective Action Plan for Current Year Findings.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Responses (Continued)
Year Ended April 30, 2017

Part 3 Findings and Questioned Costs Relating to Federal Programs

At April 30, 2017, the City of Franklin, Louisiana did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore, this section is not applicable.

CITY OF FRANKLIN, LOUISIANA

Management's Corrective Action Plan for Current Year Findings
Year Ended April 30, 2017

2017-001 Noncompliance with the Louisiana Local Government Budget Act

Management's Response and Planned Corrective Action: The procedure required by the City's charter and the time limits needed to present a notice of proposed amended budget to the public, introduce an ordinance to amend and another meeting to approve the amendment to the budget prevents last minute amendments of the budget from taking place. The City has contacted its accounting software vendor to devise a method to monitor expenditures without the production of monthly reports which at present is what is used to do so.

Name and Title of Contact Person: Edward Hay, CPA, Director of Finance

2017-002 Misappropriation of Public Funds

Management's Response and Planned Corrective Action: With the consent of the City Judge, City management has taken control of the financial accounting system of the Court. The specific weakness in the controls in place in the Court has been rectified by insertion of a member of the finance department into the day-to-day process of depositing funds into the respective bank accounts. The specific weakness used to misappropriate funds was through the manipulation of the process of depositing funds. The procedure that is now followed requires that all deposits are prepared daily and deposited into the respective banks that same day. Documents from the bank acknowledging receipt of said deposits are returned to the Court that same day for comparison to the original deposit documentation.

Name and Title of Contact Person: Edward Hay, CPA, Director of Finance

Anticipated Completion Date: Corrective actions have been implemented as of July 1, 2016.

OTHER SUPPLEMENTARY INFORMATION

CITY OF FRANKLIN, LOUISIANA

Schedule of Changes in Assets Related to
2000 Water and Sewer Revenue Bond Debt Service
Year Ended April 30, 2017

	2000 Water & Sewer Renewal & Replacement Fund in the Utility Fund	<u>Sinking Fund</u> 2000 Water & Sewer Revenue Bonds	<u>Reserve Fund</u> 2000 Water & Sewer Revenue Bonds
Cash, May 1, 2016	\$ 75,426	\$ 41,021	\$ 55,140
Cash receipts:			
Interest earned on account	32	27	23
State grant revenue	-	-	-
Transfer from operating account	-	58,800	-
Transfer from reserve fund	-	-	-
Transfer from sinking fund	-	-	-
	<hr/>	<hr/>	<hr/>
Total cash receipts	32	58,827	23
Cash disbursements:			
Interest and bank charges	-	7,287	-
Principal payments	-	46,000	-
Payments for capital additions	-	-	-
Transfer to sinking fund	-	-	-
Transfer to Renewal & Replacement Fund	-	-	-
	<hr/>	<hr/>	<hr/>
Total cash disbursements	-	53,287	-
Cash, April 30, 2017	<u>\$ 75,458</u>	<u>\$ 46,561</u>	<u>\$ 55,163</u>

CITY OF FRANKLIN, LOUISIANA

Schedule of Changes in Assets Related to
2009 Water and Sewer Revenue Bond Debt Service
Year Ended April 30, 2017

	2009B Water & Sewer Contingency Fund in the Utility Fund	<u>Sinking Fund</u> 2009B Water & Sewer Revenue Bonds	<u>Reserve Fund</u> 2009B Water & Sewer Revenue Bonds
Cash, May 1, 2016	\$ 527,607	\$ 138,118	\$ 154,049
Cash receipts:			
Interest earned on account	540	360	308
State grant revenue	-	-	-
Transfer from operating account	184,500	150,000	-
Transfer from reserve fund	-	-	-
Transfer from sinking fund	-	-	-
	<u>185,040</u>	<u>150,360</u>	<u>308</u>
Total cash receipts	185,040	150,360	308
Cash disbursements:			
Interest and bank charges	-	36,892	-
Principal payments	81,750	87,000	-
Payments for capital additions	35,873	-	-
Transfer to sinking fund	-	-	-
Transfer to Renewal & Replacement Fund	-	-	-
	<u>117,623</u>	<u>123,892</u>	<u>-</u>
Total cash disbursements	117,623	123,892	-
Cash, April 30, 2017	<u>\$ 595,024</u>	<u>\$ 164,586</u>	<u>\$ 154,357</u>

CITY OF FRANKLIN, LOUISIANA

Schedule of Sewerage Rates and Billings
(Unaudited)
Year Ended April 30, 2017

		<u>Billing Amounts</u>
May 2016	Fee based on consumption	\$ 14,417
June 2016		19,479
July 2016		17,891
August 2016		17,282
September 2016		18,384
October 2016		15,833
November 2016		19,799
December 2016		19,779
January 2017		17,816
February 2017		18,302
March 2017		15,712
April 2017		<u>14,175</u>
		<u>\$ 208,869</u>

The number of system users at the end of the fiscal year was 2,939.
The average monthly billing per user was \$5.92.

The fee is based on water consumption set at:
\$1.60 minimum up to 1,999 gallons.
\$1.20 per 1,000 gallons thereafter.

CITY OF FRANKLIN, LOUISIANA

Schedule of Water Rates and Billings
(Unaudited)
Year Ended April 30, 2017

		<u>Billing Amounts</u>
May 2016	Fee based on consumption	\$ 121,597
June 2016		139,811
July 2016		133,259
August 2016		129,171
September 2016		144,053
October 2016		123,088
November 2016		150,843
December 2016		146,517
January 2017		136,787
February 2017		131,005
March 2017		123,158
April 2017		<u>104,503</u>
		<u>\$ 1,583,792</u>

The number of system users at the end of the fiscal year was 2,939.
The average monthly billing per user was \$44.91.

The fee is based on water consumption set at:
\$7.00 minimum up to 1,999 gallons
\$7.00 per 1,000 gallons thereafter

CITY OF FRANKLIN, LOUISIANA

Schedule of Insurance in Force
(Unaudited)
April 30, 2017

Description of Coverage	Amount of Limits	Expires	Company
Workmen's Compensation -	Statutory Louisiana Benefits \$500,000 each accident \$500,000 each employee \$500,000 each policy	7/12/2017	Louisiana Workers Comp. Corp.
Business Automobile	Auto Liability - \$500,000 Fire Vehicles - \$1,000,000	12/31/2017 10/4/2017	Atlantic Specialty Insurance VFIS
Law Enforcement Liability	\$1,000,000	12/31/2017	Indian Harbor Insurance Co.
Surety Bond	\$60,000 - Mayor \$60,000 - Director of Administration \$20,000 - Other employees \$60,000 - Tax Collectors \$5,000 - Criminal Court Clerk \$5,000 - Civil Court Clerk \$5,000 - Court Clerk \$5,000 - Deputy Clerk \$5,000 - City Marshal \$5,000 - City Deputy Marshal	9/20/2017 9/20/2017 9/20/2017 9/20/2017 12/10/2017 4/11/2018 5/7/2018 6/13/2018 5/16/2017 5/16/2017	Western Surety Western Surety Western Surety Western Surety Western Surety Western Surety Western Surety Western Surety CNA Surety CNA Surety
Fire and Extended Coverage	All City Buildings & PP - \$9,432,440	5/1/2017	Westchester Surplus Lines
Computer Coverage	\$34,300	2/6/2018	Scottsdale Insurance Co.
Machinery Breakdown Policy	\$15,686,000 - Water & Sewer Plant Machinery/Water Pump Stations / Sewer Lift Stations	1/8/2018	Hartford
Health Benefit Plan	Plan 43B – Louisiana Choice HMO Plan AF4P – Louisiana Choice Plus Plan AF9T – Louisiana Choice HMO	12/31/2017	United Healthcare
Equipment	\$126,880 - Daewoo Excavator	7/2/2017	Allianz Global
Dwelling	\$36,900 - 517 Third St.	3/12/2018	Southern Fidelity Insurance