

**CITY OF FRANKLIN, LOUISIANA**

Financial Report

Year Ended April 30, 2019

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1-3
Management's Discussion and Analysis	4-15
 FINANCIAL SECTION	
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	17-18
Statement of Activities	19-20
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	23-24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Proprietary Fund:	
Statement of Net Position	26-27
Statement of Revenues, Expenses, and Changes in Net Position	28
Statement of Cash Flows	29-30
Notes to the Financial Statements	31-85
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules:	
General Fund	87-88
Liquid and Solid Waste Fund	89
Capital Outlay Fund	90
Schedules of Proportionate Share of Net Pension Liability	91-94
Schedules of Contributions	95-98
Notes to the Required Supplementary Information	99-100
 SUPPLEMENTAL INFORMATION	
Nonmajor Governmental Funds:	
Combining Balance Sheet	102-103
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	104-105

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 <i>Government Auditing Standards</i>	107-108
Summary Schedule of Prior Year Findings	109
Schedule of Findings and Responses	110-111
Management's Corrective Action Plan for Current Year Findings	112

OTHER SUPPLEMENTARY INFORMATION

Schedule of Changes in Assets Related to 2000 Water and Sewer Revenue Bond Debt Service	114
Schedule of Changes in Assets Related to 2009 Water and Sewer Revenue Bond Debt Service	115
Schedule of Sewerage Rates and Billings (unaudited)	116
Schedule of Water Rates and Billings (unaudited)	117
Schedule of Insurance in Force (unaudited)	118

## INDEPENDENT AUDITOR'S REPORT

The Honorable Eugene P. Foulcard, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We 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.

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, 2019, 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, 87 – 90, 91 – 94, and 95 – 98 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 17, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Darnall, Sikes & Frederick*

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana  
October 17, 2019

## 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, 2019. 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, as that will present a more complete picture of the City's financial condition.

### FINANCIAL HIGHLIGHTS

The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$11,124,657 (net position) for the fiscal year reported. This is a \$643,124 increase compared to last year's \$10,481,533. The total net position of the entire City is comprised of the following:

1. Capital assets of \$15,917,471 which include property and equipment, net of accumulated depreciation and reduced for outstanding debt of \$4,695,143 related to the purchase or construction of capital assets. \$1,274,786 of the outstanding debt is a lease-purchase arrangement for an electronic water metering system in the City's business-type activity.
2. Restricted net position of \$401,966 which includes \$350,706 for Debt Service, \$18,307 related to Special Revenue Funds, and \$32,953 for Perpetual Care.
3. Unrestricted net position of \$(499,637) 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 – 85.

#### *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, the Liquid and Solid Waste Fund, and the Capital Outlay 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 87 – 100 of this report.

Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for Nonmajor Funds are presented on pages 102 – 105 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 \$11,124,657 at April 30, 2019. 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, 2019, 2018, and 2017

	Governmental Activities			Business-type Activities			Totals		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
<b>Assets:</b>									
Current Assets	\$ 5,597,974	\$ 5,237,881	\$ 5,157,306	\$ (1,432,890)	\$ (1,143,760)	\$ (1,181,755)	\$ 4,165,084	\$ 4,094,121	\$ 3,975,551
Restricted Assets	-	-	-	821,071	709,685	913,967	821,071	709,685	913,967
Capital Assets	10,838,359	9,242,187	9,624,130	5,079,112	5,276,074	5,472,123	15,917,471	14,518,261	15,096,253
<b>Total Assets</b>	<b>16,436,333</b>	<b>14,480,068</b>	<b>14,781,436</b>	<b>4,467,293</b>	<b>4,841,999</b>	<b>5,204,335</b>	<b>20,903,626</b>	<b>19,322,067</b>	<b>19,985,771</b>
<b>Deferred Outflows of Resources</b>	<b>1,301,890</b>	<b>1,158,882</b>	<b>1,727,148</b>	<b>205,127</b>	<b>207,025</b>	<b>280,236</b>	<b>1,507,017</b>	<b>1,365,907</b>	<b>2,007,384</b>
<b>Liabilities:</b>									
Current Liabilities Payable From	\$ 1,503,826	\$ 785,350	\$ 595,736	\$ 238,673	\$ 255,791	\$ 387,923	\$ 1,742,499	\$ 1,041,141	\$ 983,659
Restricted Assets	15,036	16,611	17,028	317,732	311,994	298,428	332,768	328,605	315,456
Long-term Liabilities	5,866,305	5,084,099	5,816,653	2,844,613	3,077,384	3,419,534	8,710,918	8,161,483	9,236,187
<b>Total Liabilities</b>	<b>7,385,167</b>	<b>5,886,060</b>	<b>6,429,417</b>	<b>3,401,018</b>	<b>3,645,169</b>	<b>4,105,885</b>	<b>10,786,185</b>	<b>9,531,229</b>	<b>10,535,302</b>
<b>Deferred Inflows of Resources</b>	<b>448,102</b>	<b>585,607</b>	<b>270,549</b>	<b>51,699</b>	<b>89,605</b>	<b>48,863</b>	<b>499,801</b>	<b>675,212</b>	<b>319,412</b>
<b>Net Position:</b>									
Net Investment in Capital Assets	8,574,002	7,464,320	8,036,880	2,648,326	2,606,446	2,500,338	11,222,328	10,070,766	10,537,218
Restricted	308,571	237,015	351,346	93,395	66,335	164,586	401,966	303,350	515,932
Unrestricted	1,022,381	1,465,948	1,420,392	(1,522,018)	(1,358,531)	(1,335,101)	(499,637)	107,417	85,291
<b>Total Net Position</b>	<b>\$ 9,904,954</b>	<b>\$ 9,167,283</b>	<b>\$ 9,808,618</b>	<b>\$ 1,219,703</b>	<b>\$ 1,314,250</b>	<b>\$ 1,329,823</b>	<b>\$ 11,124,657</b>	<b>\$ 10,481,533</b>	<b>\$ 11,138,441</b>

As with most cities, a large portion of the City's net position (100.1%) 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 the governmental activities (\$782,206) due to the ongoing rehabilitation of the sewer plant. Long-term liabilities in the Business-type Activity decreased by \$232,771 due in the most part to the required payment on the underlying obligations associated with the electronic metering system. The net change in position due to changes in deferred outflows and inflows was only \$34,301.

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

The net increase in total net investment in capital assets was \$1,151,562, which is a result of the interplay of depreciation for the current year and the costs associated with the sewer project noted above. The increase in the total net investment in the Business-type Activity was \$41,880, due mostly to the purchase of additional electronic meters needed to maintain the system. Additionally, since capital assets are reported net of depreciation, it should be stated that depreciation for the fiscal year was \$323,888 for the Business-type Activity and \$615,819 for the Governmental Activities. See Note 7 for further details.

Another portion of the City's net position (3.6%) represents resources that are subject to external restrictions on how they may be used. At the end of fiscal year 2019, net position totaling \$401,966 was subject to restrictions. Of this total, \$93,395 was subject to restrictions for debt service related to business-type activities, \$257,311 was restricted for debt service related to governmental activities, \$18,307 was related to special revenue items, and \$32,953 was comprised of nonexpendable perpetual care restrictions related to mausoleum services provided by the City.

Comparatively, 2018's restricted net position totaling \$303,350 was subject to the following restrictions: \$66,335 was restricted for debt service related to business-type activities, \$182,827 was restricted for debt services related to governmental activities, \$21,284 was related to special revenue items, and the remaining \$32,904 was comprised of nonexpendable perpetual care restrictions for governmental activities.

The City's unrestricted net position at April 30, 2019 of \$(499,637) compared to the restated prior year net position \$107,417 represents a decrease of \$607,054.

It should be noted that the balance in unrestricted net position in the business-type activities is \$(1,522,018) this fiscal year compared to \$(1,358,531) in 2018. This is a result of the fund not covering its cost of operation over a series of prior years and the net pension liability recorded of \$659,516.

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 2019 data, this schedule also shows comparative data for the years 2018 and 2017.

City of Franklin, Louisiana  
Condensed Statements of Activities  
For the Years Ended April 30, 2019, 2018, and 2017

	Governmental Activities			Business-type Activities			Totals		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
<b>Revenues:</b>									
Program:									
Charges For Services and Fines	\$ 1,637,541	\$ 1,546,635	\$ 1,472,070	\$ 1,787,143	\$ 1,876,002	\$ 1,956,573	\$ 3,424,684	\$ 3,422,637	\$ 3,428,643
Operating Grants and Contributions	250,611	243,603	229,871	-	-	-	250,611	243,603	229,871
Capital Grants and Contributions	913,815	123,905	218,228	69,350	-	-	983,165	123,905	218,228
General:									
Sales Tax	2,513,897	2,454,157	2,428,625	-	-	-	2,513,897	2,454,157	2,428,625
Other Tax	1,141,361	1,130,942	1,151,284	-	-	-	1,141,361	1,130,942	1,151,284
Unrestricted Grants and Contributions	244,152	261,992	457,566	-	-	-	244,152	261,992	457,566
Interest	3,494	3,835	3,833	1,354	1,262	1,300	4,848	5,097	5,133
Rental	50,540	55,895	47,151	-	-	-	50,540	55,895	47,151
Cemetery/ Mausoleum	55,575	66,228	73,000	-	-	-	55,575	66,228	73,000
Miscellaneous	233,383	271,777	258,468	-	-	-	233,383	271,777	258,468
Loss on disposal of fixed assets	-	-	-	-	(2,390)	(3,293)	-	(2,390)	(3,293)
Debt forgiveness income	507,240	62,650	-	-	-	-	507,240	62,650	-
Transfers, net	6,000	3,000	115,600	(6,000)	(3,000)	(115,600)	-	-	-
<b>Total Revenues and Transfers</b>	<b>\$ 7,557,609</b>	<b>\$ 6,224,619</b>	<b>\$ 6,455,696</b>	<b>\$ 1,851,847</b>	<b>\$ 1,871,874</b>	<b>\$ 1,838,980</b>	<b>\$ 9,409,456</b>	<b>\$ 8,096,493</b>	<b>\$ 8,294,676</b>
<b>Program Expenses:</b>									
General Government:									
Administrative	\$ 338,678	\$ 331,101	\$ 311,871	\$ -	\$ -	\$ -	\$ 338,678	\$ 331,101	\$ 311,871
Judicial	379,262	382,117	364,082	-	-	-	379,262	382,117	364,082
Public Safety:									
Police	1,366,957	1,298,955	1,403,005	-	-	-	1,366,957	1,298,955	1,403,005
Fire	869,548	741,960	718,922	-	-	-	869,548	741,960	718,922
Streets and Drainage	742,451	794,586	801,523	-	-	-	742,451	794,586	801,523
Other Funding	331,337	272,566	284,757	-	-	-	331,337	272,566	284,757
Recreation	397,406	360,572	346,412	-	-	-	397,406	360,572	346,412
Sanitation	2,076,099	2,191,907	2,177,337	-	-	-	2,076,099	2,191,907	2,177,337
Community Development	205,039	221,334	246,783	-	-	-	205,039	221,334	246,783
Food Services	47,012	47,561	48,528	-	-	-	47,012	47,561	48,528
Miscellaneous	1,232	158,663	50	-	-	-	1,232	158,663	50
Interest	64,917	64,632	66,998	91,754	123,973	55,403	156,671	188,605	122,401
Water Utility Expense	-	-	-	1,854,640	1,763,474	1,594,450	1,854,640	1,763,474	1,594,450
<b>Total Expenses</b>	<b>6,819,938</b>	<b>6,865,954</b>	<b>6,770,268</b>	<b>1,946,394</b>	<b>1,887,447</b>	<b>1,649,853</b>	<b>8,766,332</b>	<b>8,753,401</b>	<b>8,420,121</b>
Change In Net Position	737,671	(641,335)	(314,572)	(94,547)	(15,573)	189,127	643,124	(656,908)	(125,445)
Beginning Net Position	9,167,283	9,808,618	10,123,190	1,314,250	1,329,823	1,140,696	10,481,533	11,138,441	11,263,886
Ending Net Position	\$ 9,904,954	\$ 9,167,283	\$ 9,808,618	\$ 1,219,703	\$ 1,314,250	\$ 1,329,823	\$ 11,124,657	\$ 10,481,533	\$ 11,138,441

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## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

#### GOVERNMENTAL REVENUES

In fiscal year 2019 the City experienced an increase in revenue amounting to \$1,312,963. 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 \$2,513,897 of the City's revenues for fiscal year 2019 compared to \$2,454,157 the previous year (an increase of \$59,740). Sales taxes comprised approximately 33.3% of the City's total revenues for governmental activities for the 2019 fiscal year, compared to 39.4% for the previous year.

The City's collection of other taxes – ad valorem, occupational, and franchise – experienced a slight increase of \$10,419 (0.9%) from the previous year.

The City earned \$3,494 in interest to support governmental activities, compared to \$3,835 in the 2018 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 and other minor revenues) amounted to \$3,898,857 in the 2019 fiscal year compared to \$2,635,685 in the 2018 fiscal year representing an increase of \$1,263,172 (47.9%) due to an increase in Capital Grants and Contributions (\$859,260) and in Debt Forgiveness Income (\$444,590).

Total grants and contributions (operating, capital and unrestricted) in the 2019 fiscal year were \$1,408,578, an increase of \$779,078 from the 2018 fiscal year total of \$629,500.

As noted above, total revenues from governmental activities were \$7,557,609 for the fiscal year ended April 30, 2019, which is an increase of \$1,332,990 over the restated 2018 fiscal year's total of \$6,224,619. This was due mainly to the increase in various grants and contributions from state, federal, and debt forgiveness as noted above.

#### GOVERNMENTAL FUNCTIONAL EXPENSES

Governmental expenses for the 2019 fiscal year decreased by \$46,016 compared to the 2018 fiscal year. This represents a 0.7% overall decrease in dollars expended to maintain the level of services expected by the community.

The most significant increases in expenses in this fiscal year were in the police (5.2%), and fire protection (17.2%) program expenses. The increases were offset by a decrease in Miscellaneous Expense of \$157,431 (99%) over the previous year and a reduction of 5.3% (\$115,808) in sanitation operating expense.

Most of the other departments experienced minor increases or decreases in costs of no particular note.

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

CHANGE IN NET POSITION

The total change in governmental net position was an increase of \$737,671 for the fiscal year ended April 30, 2019, compared to a restated decrease of \$641,335 for the fiscal year ended April 30, 2018. In the Business-type activity, expenses outpaced revenues by \$94,547.

With the sustained slowdown in the oil industry, sales tax collections will continue to be impacted. Departmental operations will have to remain vigilant to insure that services are rendered in the most cost-effective manner to conserve the City's resources. Some adjustment may be needed to rectify the revenue stream in the Business-type activity.

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 is reflective of the offset of a specific revenue stream supporting that activity and 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		
	2019	2018	2017	2019	2018	2017
Program Expenses:						
General Government	\$ 717,940	\$ 713,218	\$ 675,953	\$ 71,538	\$ (117,631)	\$ (76,799)
Public Safety:						
Police	1,366,957	1,298,955	1,403,005	(1,303,082)	(1,193,550)	(1,316,381)
Fire	869,548	741,960	718,922	(704,936)	(664,713)	(591,649)
Streets/drainage	742,451	794,586	801,523	(153,886)	(778,803)	(801,523)
Other funding	331,337	272,566	284,757	(210,642)	(144,749)	(159,622)
Recreation	397,406	360,572	346,412	(381,606)	(353,072)	(341,257)
Sanitation	2,076,099	2,191,907	2,177,337	(1,064,641)	(1,251,471)	(1,259,268)
Community Dev.	205,039	221,334	246,783	(205,039)	(221,334)	(239,243)
Food Services	47,012	47,561	48,528	472	(3,193)	2,691
Miscellaneous	1,232	158,663	50	(1,232)	(158,663)	(50)
Interest	64,917	64,632	66,998	(64,917)	(64,632)	(66,998)
Total Expenses	<u>\$ 6,819,938</u>	<u>\$ 6,865,954</u>	<u>\$ 6,770,268</u>	<u>\$ (4,017,971)</u>	<u>\$ (4,951,811)</u>	<u>\$ (4,850,099)</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 continued to concentrate 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 and valves.

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	2019	2018	Net Change
Net investment in capital assets	\$ 2,648,326	\$ 2,606,446	\$ 41,880
Restricted for revenue bond retirement	93,395	66,335	27,060
Unrestricted	<u>(1,522,018)</u>	<u>(1,358,531)</u>	<u>(163,487)</u>
Total net position	<u>\$ 1,219,703</u>	<u>\$ 1,314,250</u>	<u>\$ (94,547)</u>

ASSETS	2019	2018	Net Change	LIABILITIES	2019	2018	Net Change
<b>Current Assets:</b>				<b>Current liabilities:</b>			
Cash and interest bearing deposits	\$ 81,303	\$ 164,236	\$ (82,933)	Accounts payable	\$ 33,942	\$ 73,461	\$ (39,519)
Accounts receivable, net	644,673	675,795	(31,122)	Accrued liabilities	40,551	32,157	8,394
Prepaid expenses	13,846	13,600	246	Notes payable	11,491	2,331	9,160
Due from other governmental units	754	-	754	Current portion of capital lease obligation	152,689	147,842	4,847
Due from other funds	<u>30,058</u>	<u>218,116</u>	<u>(188,058)</u>	Due to other funds	<u>2,203,524</u>	<u>2,215,507</u>	<u>(11,983)</u>
Total current assets	<u>770,634</u>	<u>1,071,747</u>	<u>(301,113)</u>	Total	<u>2,442,197</u>	<u>2,471,298</u>	<u>(29,101)</u>
<b>Restricted assets:</b>				<b>Current liabilities:</b>			
Bond and interest sinking fund - cash	93,395	66,335	27,060	Payable from restricted assets:			
Capital additions/contingencies - cash	572,591	488,687	83,904	Revenue bonds payable	93,000	91,000	2,000
Reserve funds - cash	<u>155,085</u>	<u>154,663</u>	<u>422</u>	Customer's deposits	<u>224,732</u>	<u>220,994</u>	<u>3,738</u>
Total restricted assets	<u>821,071</u>	<u>709,685</u>	<u>111,386</u>	Total	<u>317,732</u>	<u>311,994</u>	<u>5,738</u>
Property, plant and equipment, net	<u>5,079,112</u>	<u>5,276,074</u>	<u>(196,962)</u>	<b>Long-term liabilities:</b>			
<b>Total assets</b>	<b>\$ 6,670,817</b>	<b>\$ 7,057,506</b>	<b>\$ (386,689)</b>	Revenue bonds payable, net	1,063,000	1,156,000	(93,000)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				Capital lease obligation, net of current portion	1,122,097	1,274,786	(152,689)
Deferred outflows of resources	\$ 205,127	\$ 207,025	\$ (1,898)	Net pension liability	<u>659,516</u>	<u>646,598</u>	<u>12,918</u>
				Total	<u>2,844,613</u>	<u>3,077,384</u>	<u>(232,771)</u>
				<b>Total Liabilities</b>	<b>\$ 5,604,542</b>	<b>\$ 5,860,676</b>	<b>\$ (256,134)</b>
				<b>DEFERRED INFLOWS OF RESOURCES</b>			
				Deferred inflows of resources	\$ 51,699	\$ 89,605	\$ (37,906)

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 \$2,203,524, which is a decrease of \$11,983 from the previous year. The reliance on other funds causes the Unrestricted Net Position to be \$(1,522,018) at April 30, 2019.

Revenues vs. Costs

The business-type activity of the City reported a \$67,497 operating loss for the year compared to \$112,528 operating income for the prior year. Total revenue decreased by \$88,859 and expenses increased by \$91,166 in fiscal 2019. Water sales were down by \$79,144 due to population changes and requests for adjustments. Expenses at the water plant decreased by \$23,178 and water distributions cost decreased by \$21,941 due to reduced manning for a period of time. Additional personnel was added to the billing department and meter department resulting in an increase of \$80,800. This was the first year of full depreciation on the meter system resulting in an increase of \$56,771.

Water Enterprise Fund Revenue and Expense

	2019	2018	Net Change
Operating revenues:			
Water sales	\$ 1,443,747	\$ 1,522,891	\$ (79,144)
Reconnection and installation fees	51,459	53,509	(2,050)
Delinquent charges	41,557	48,359	(6,802)
Street light fees	167,992	168,248	(256)
Mosquito control	71,822	72,026	(204)
Miscellaneous	<u>10,566</u>	<u>10,969</u>	<u>(403)</u>
Total operating revenues	<u>1,787,143</u>	<u>1,876,002</u>	<u>(88,859)</u>
Operating expenses:			
Administrative and finance	40,468	36,322	4,146
Water production	508,289	531,467	(23,178)
Water distribution	263,999	285,940	(21,941)
Billings and collections	363,939	337,720	26,219
Meter department	103,303	48,722	54,581
Depreciation and amortization	323,888	267,117	56,771
Street light fees	179,285	184,320	(5,035)
Mosquito abatement control	<u>71,469</u>	<u>71,866</u>	<u>(397)</u>
Total operating expenses	<u>1,854,640</u>	<u>1,763,474</u>	<u>91,166</u>
Operating income (loss)	<u>\$ (67,497)</u>	<u>\$ 112,528</u>	<u>\$ (180,025)</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 \$4,357,690 compared to the prior year total of \$4,752,238, a decrease of \$394,548. 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 \$3,456,346) 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 \$782,937, of which \$651,107 was fully unassigned. The General Fund's total revenue increased \$771,809 over the prior year due to intergovernmental revenue from the parish and state. Expenditures increased overall by \$171,916 over the prior year. Departments with notable increased expenses included administration (10.4%), judicial (\$18.6%), fire (14.6%), and recreation (19.7%) with other departments ranging from one to five percent. These items were offset by a decrease of 77.6% in capital outlay.

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 \$2,136,907 in the 2019 fiscal year with expenditures of \$2,008,972 charged against that revenue. Revenues were up \$106,929 compared to the previous year due to slight increases in sales tax collection. Expenditures for fiscal 2019 were up \$183,245 compared to fiscal 2018. Capital outlay accounted for an increase of \$62,514, and the total cost of operating the sewer system itself increased by \$102,731. Its ending fund balance was \$3,474,661 of which \$18,315 was classified as Non-spendable, leaving a remaining \$3,456,346 committed to providing future services.

Another major governmental fund is the Capital Outlay Fund, which has an unassigned ending fund balance deficit of \$175,526. Expenditures for the fiscal year totaled \$2,092,376 of which the major expenditures included \$1,334,589 for the sewer plant rehab project, \$729,648 for the street overlay project and the remaining amounts on minor projects.

Other nonmajor governmental funds consist of special revenue funds and debt service funds. These funds had combined total fund balances of \$275,618 and are reported as restricted to the purposes of the various funds in compliance with GASB 54. See the Supplemental Information section included in this report.

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

#### *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.

The City has total net position of \$1,219,703 in its proprietary fund comprised of \$2,648,326 invested in capital assets (net of accumulated depreciation and related debt), \$93,395 restricted for revenue bond retirement, and \$(1,522,018) in unrestricted net position due to amounts owed to other funds. Without the amounts due to other funds (\$2,203,524) the unrestricted amount would have been a positive \$681,506.

#### BUDGETARY HIGHLIGHTS

The major difference between the amended General Fund budget and the actual results in regards to revenue was a negative variance of \$149,850 (3.0%). That difference was due to the interplay of the positive and negative variances in all classes of revenue. Shortfalls in revenue were from lower than anticipated sales taxes and intergovernmental revenues from the state and federal governments. General Fund expenditures show a negative variance of \$67,740 (1.5%) from the amended budget. While most departments showed negative variances, the most noteworthy variances from the amended budget occurred in the Fire Department (\$11,336) due to repairs necessitated by its aging fleet, in the Judicial area (\$20,337) due to the addition of a Deputy Civil/Accounting Clerk and in the area of capital outlay (\$39,619) due to the purchase of needed police vehicles and a backhoe used by both public works and water distribution. The net variance from the amended balanced budget was a negative \$217,590, which was coupled with the variance in other financing sources and uses amounting to a negative \$185,601, resulted in a negative change in fund balance of \$403,191.

#### ECONOMIC CONDITIONS AFFECTING THE CITY

For the fiscal year ended April 30, 2019, the City of Franklin experienced a slight increase in sales tax revenues of \$59,740 (2.3%). As the City looks to the future, it has the expectation that due to the slowdown in the local economy, increases in sales tax revenues will continue to be marginal in the next fiscal year. Property tax revenues continue to remain relatively unchanged. With that said, the City will still have to exert more emphasis on controlling expenditures in areas that do not fall in the realm of police, fire and public works. The City continues to look to the federal, state and parish governments for support of major projects affecting the City's infrastructure.

#### 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 Eugene P. Foulcard, Post Office Box 567, Franklin, Louisiana 70538.

**FINANCIAL SECTION**

CITY OF FRANKLIN, LOUISIANA

Statement of Net Position  
April 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and interest-bearing deposits	\$ 2,745,093	\$ 81,303	\$ 2,826,396	\$ 26,094
Receivables:				
Taxes	436,247	-	436,247	-
Accounts, net of allowance	70,449	644,673	715,122	-
Internal balances	2,173,466	(2,173,466)	-	-
Prepaid expenses	93,571	13,846	107,417	-
Restricted assets:				
Cash	-	821,071	821,071	-
Due from other governmental units	79,148	754	79,902	2,094
Capital assets not being depreciated	3,675,885	10,000	3,685,885	-
Depreciable capital assets, net of accumulated depreciation	<u>7,162,474</u>	<u>5,069,112</u>	<u>12,231,586</u>	<u>33,262</u>
Total assets	16,436,333	4,467,293	20,903,626	61,450
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	1,301,890	205,127	1,507,017	-

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 936,300	\$ 33,942	\$ 970,242	\$ 1,765
Accrued liabilities	164,057	40,551	204,608	-
Contracts payable	92,685	-	92,685	-
Notes payable	47,242	11,491	58,733	-
Payable from restricted assets:				
Revenue bonds payable, current portion	-	93,000	93,000	-
Accrued interest	15,036	-	15,036	-
Customer deposits	-	224,732	224,732	-
Current portion of long-term obligations	263,542	152,689	416,231	-
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	2,081,281	2,185,097	4,266,378	-
Net pension liability	<u>3,785,024</u>	<u>659,516</u>	<u>4,444,540</u>	-
Total liabilities	7,385,167	3,401,018	10,786,185	1,765
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	448,102	51,699	499,801	-
<b>NET POSITION</b>				
Net investment in capital assets	8,574,002	2,648,326	11,222,328	33,262
Restricted for:				
Debt service	257,311	93,395	350,706	-
Special revenue funds	18,307	-	18,307	-
Perpetual care	32,953	-	32,953	-
Unrestricted	<u>1,022,381</u>	<u>(1,522,018)</u>	<u>(499,637)</u>	<u>26,423</u>
Total net position	<u>\$ 9,904,954</u>	<u>\$ 1,219,703</u>	<u>\$ 11,124,657</u>	<u>\$ 59,685</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Activities  
Year Ended April 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Administrative	\$ 338,678	\$ 368,176	\$ -	\$ 258,622
Judicial	379,262	162,680	-	-
Public safety:				
Police	1,366,957	53,379	10,496	-
Fire	869,548	48,476	56,136	60,000
Public works:				
Streets and drainage	742,451	-	-	588,565
Other funding	331,337	-	120,695	-
Recreation	397,406	-	15,800	-
Sanitation	2,076,099	1,004,830	-	6,628
Community development	205,039	-	-	-
Food services	47,012	-	47,484	-
Miscellaneous	1,232	-	-	-
Interest and fiscal charges on debt	64,917	-	-	-
Total governmental activities	6,819,938	1,637,541	250,611	913,815
Business-type activities:				
Water	1,854,640	1,787,143	-	69,350
Interest and fiscal charges on debt	91,754	-	-	-
Total business-type activities	1,946,394	1,787,143	-	69,350
Component units:				
City Court	271,064	139,619	114,818	-
Ward Three Marshal	149,112	14,295	125,190	-
Total component unit activities	420,176	153,914	240,008	-
Total government	<u>\$ 9,186,508</u>	<u>\$ 3,578,598</u>	<u>\$ 490,619</u>	<u>\$ 983,165</u>

General Revenues:

Taxes:

Ad valorem

Sales

Franchise

Grants and contributions not restricted

Interest and investment earnings

Rentals

Cemetery and mausoleum sales

Debt forgiveness income

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenues and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ 288,120	\$ -	\$ 288,120	\$ -
(216,582)	-	(216,582)	-
(1,303,082)	-	(1,303,082)	-
(704,936)	-	(704,936)	-
(153,886)	-	(153,886)	-
(210,642)	-	(210,642)	-
(381,606)	-	(381,606)	-
(1,064,641)	-	(1,064,641)	-
(205,039)	-	(205,039)	-
472	-	472	-
(1,232)	-	(1,232)	-
(64,917)	-	(64,917)	-
(4,017,971)	-	(4,017,971)	-
-	1,853	1,853	-
-	(91,754)	(91,754)	-
-	(89,901)	(89,901)	-
-	-	-	(16,627)
-	-	-	(9,627)
-	-	-	(26,254)
(4,017,971)	(89,901)	(4,107,872)	(26,254)
722,781	-	722,781	-
2,513,897	-	2,513,897	-
418,580	-	418,580	-
244,152	-	244,152	-
3,494	1,354	4,848	40
50,540	-	50,540	-
55,575	-	55,575	-
507,240	-	507,240	-
233,383	-	233,383	4,442
6,000	(6,000)	-	-
4,755,642	(4,646)	4,750,996	4,482
737,671	(94,547)	643,124	(21,772)
9,167,283	1,314,250	10,481,533	81,457
<u>\$ 9,904,954</u>	<u>\$ 1,219,703</u>	<u>\$ 11,124,657</u>	<u>\$ 59,685</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Balance Sheet – Governmental Funds  
April 30, 2019

	General Fund	Liquid and Solid Waste Fund	Capital Outlay Fund	Other Governmental	Total Governmental Funds
<b>ASSETS</b>					
Cash and interest-bearing deposits	\$ 968,091	\$ 807,213	\$ 694,171	\$ 275,618	\$ 2,745,093
Receivables:					
Taxes	286,299	149,948	-	-	436,247
Accounts	69,874	575	-	-	70,449
Prepaid expenses	75,256	18,315	-	-	93,571
Due from other governmental units	66,924	10,024	2,200	-	79,148
Due from other funds	<u>4,069</u>	<u>2,614,514</u>	<u>-</u>	<u>-</u>	<u>2,618,583</u>
Total assets	<u>\$1,470,513</u>	<u>\$3,600,589</u>	<u>\$696,371</u>	<u>\$ 275,618</u>	<u>\$ 6,043,091</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 81,686	\$ 90,702	\$ 763,912	\$ -	\$ 936,300
Retainage payable	-	-	92,685	-	92,685
Accrued liabilities	139,736	24,321	-	-	164,057
Notes payable	38,379	8,863	-	-	47,242
Due to other funds	<u>427,775</u>	<u>2,042</u>	<u>15,300</u>	<u>-</u>	<u>445,117</u>
Total liabilities	687,576	125,928	871,897	-	1,685,401
Fund balances:					
Nonspendable	108,209	18,315	-	-	126,524
Restricted	-	-	-	275,618	275,618
Committed	-	3,456,346	-	-	3,456,346
Assigned	23,621	-	-	-	23,621
Unassigned	<u>651,107</u>	<u>-</u>	<u>(175,526)</u>	<u>-</u>	<u>475,581</u>
Total fund balances	<u>782,937</u>	<u>3,474,661</u>	<u>(175,526)</u>	<u>275,618</u>	<u>4,357,690</u>
Total liabilities and fund balances	<u>\$1,470,513</u>	<u>\$3,600,589</u>	<u>\$696,371</u>	<u>\$ 275,618</u>	<u>\$ 6,043,091</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, 2019

Total fund balances - governmental funds	\$ 4,357,690
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.	10,838,359
Deferred outflows of resources associated with net pension liability are not available resources and, therefore, are not reported in the governmental fund.	1,301,890
Accrued interest is not due and payable in the current period and, therefore, is not reported in the governmental fund.	(15,036)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(6,129,847)
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>(448,102)</u>
Total net position - governmental activities	<u>\$ 9,904,954</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, 2019

	General Fund	Liquid and Solid Waste Fund	Capital Outlay Fund	Other Governmental	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$2,539,340	\$1,120,632	\$ -	\$ -	\$ 3,659,972
Licenses and permits	368,176	-	-	-	368,176
Intergovernmental	1,509,673	206,473	20,193	47,484	1,783,823
Charges for services	-	798,357	-	2,423	800,780
Fines and forfeitures	94,645	-	-	-	94,645
Rentals	50,540	-	-	-	50,540
Investment earnings	1,609	23	240	575	2,447
Cemetery and crypt sales	55,575	-	-	-	55,575
Miscellaneous	<u>140,042</u>	<u>11,422</u>	<u>-</u>	<u>-</u>	<u>151,464</u>
Total revenues	4,759,600	2,136,907	20,433	50,482	6,967,422
<b>Expenditures:</b>					
Current -					
General government:					
Administrative	322,418	-	-	-	322,418
Judicial	395,937	-	-	-	395,937
Public safety:					
Police	1,293,063	-	-	5,882	1,298,945
Fire	738,986	-	-	-	738,986
Public works:					
Streets and drainage	623,303	-	-	-	623,303
Other funding	346,337	-	-	-	346,337
Recreation	323,183	-	-	-	323,183
Sanitation	-	1,925,804	-	-	1,925,804
Community development	137,709	-	-	-	137,709
Food services	-	-	-	47,012	47,012
Miscellaneous	-	-	1,232	-	1,232
Debt service -					
Principal	107,538	18,000	-	63,983	189,521
Interest and fiscal charges	52,036	-	-	8,098	60,134
Capital outlay	<u>55,680</u>	<u>65,168</u>	<u>2,091,144</u>	<u>-</u>	<u>2,211,992</u>
Total expenditures	<u>4,396,190</u>	<u>2,008,972</u>	<u>2,092,376</u>	<u>124,975</u>	<u>8,622,513</u>
Excess (deficiency) of revenues over expenditures	363,410	127,935	(2,071,943)	(74,493)	(1,655,091)

(Continued)

	General Fund	Liquid and Solid Waste Fund	Capital Outlay Fund	Other Governmental	Total Governmental Funds
Other financing sources (uses):					
Proceeds from capital lease	17,667	-	-	-	17,667
Debt forgiveness income	-	507,240	-	-	507,240
Bond proceeds	-	729,636	-	-	729,636
Transfers in	-	-	1,907,986	146,000	2,053,986
Transfers out	<u>(784,268)</u>	<u>(1,263,718)</u>	<u>-</u>	<u>-</u>	<u>(2,047,986)</u>
Total other financing sources (uses)	<u>(766,601)</u>	<u>(26,842)</u>	<u>1,907,986</u>	<u>146,000</u>	<u>1,260,543</u>
Changes in fund balances	(403,191)	101,093	(163,957)	71,507	(394,548)
Fund balances, beginning	<u>1,186,128</u>	<u>3,373,568</u>	<u>(11,569)</u>	<u>204,111</u>	<u>4,752,238</u>
Fund balances, ending	<u>\$ 782,937</u>	<u>\$ 3,474,661</u>	<u>\$ (175,526)</u>	<u>\$ 275,618</u>	<u>\$ 4,357,690</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, 2019

Net changes in fund balances - governmental funds	\$ (394,548)
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	1,596,172
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	198,163
Loan proceeds provide current financing resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(747,303)
Costs associated with pension obligations	3,236
Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability:	
Increase in pension expense	(48,924)
Non-employer pension contribution revenue	76,947
Excess of compensated absences earned over amounts used	52,353
Excess of interest accrued over interest paid	<u>1,575</u>
Change in net position - governmental activities	<u>\$ 737,671</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Net Position – Proprietary Fund  
April 30, 2019

	Water Enterprise Fund
	<u>                    </u>
<b>ASSETS</b>	
Current assets:	
Cash and interest-bearing deposits	\$    81,303
Receivables:	
Accounts, net of allowance	644,673
Prepaid expenses	13,846
Due from other governmental units	754
Due from other funds	<u>30,058</u>
Total current assets	770,634
Restricted assets:	
Debt service fund -	
Cash	93,395
Capital additions and contingencies account -	
Cash	572,591
Reserve fund -	
Cash	<u>155,085</u>
Total restricted assets	821,071
Property, plant, and equipment:	
Property, plant, and equipment, at cost, net of accumulated depreciation of \$5,270,227	<u>5,079,112</u>
Total assets	6,670,817
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	205,127

	Water Enterprise Fund
	<u>                    </u>
<b>LIABILITIES</b>	
Current liabilities (payable from current assets):	
Accounts payable	\$    33,942
Accrued liabilities	40,551
Note payable	11,491
Current portion of capital lease obligation	152,689
Due to other funds	<u>2,203,524</u>
Total current liabilities (payable from current assets)	2,442,197
Current liabilities (payable from restricted assets):	
Revenue bonds payable	93,000
Customer deposits	<u>224,732</u>
Total current liabilities (payable from restricted assets)	317,732
Long-term liabilities:	
Revenue bonds payable, net of current portion	1,063,000
Capital lease obligation, net of current portion	1,122,097
Net pension liability	<u>659,516</u>
Total long-term liabilities	<u>2,844,613</u>
Total liabilities	5,604,542
DEFERRED INFLOWS OF RESOURCES	51,699
<b>NET POSITION</b>	
Net investment in capital assets	2,648,326
Restricted for revenue bond retirement	93,395
Unrestricted	<u>(1,522,018)</u>
Total net position	<u>\$    1,219,703</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, 2019

	Water Enterprise Fund
	<u>Fund</u>
Operating revenues:	
Water sales	\$ 1,443,747
Reconnection and installation fees	51,459
Delinquent charges	41,557
Street light fees	167,992
Mosquito control	71,822
Miscellaneous	<u>10,566</u>
Total operating revenues	1,787,143
Operating expenses:	
Administrative and finance	40,468
Water production	508,289
Water distribution	263,999
Billings and collections	363,939
Meter department	103,303
Depreciation and amortization	323,888
Street light fees	179,285
Mosquito control	<u>71,469</u>
Total operating expenses	<u>1,854,640</u>
Operating loss	(67,497)
Nonoperating revenues (expenses):	
Interest income	1,354
Interest and fiscal charges	<u>(91,754)</u>
Total nonoperating revenues (expenses)	<u>(90,400)</u>
Loss before contributions and transfers	(157,897)
Capital contributions	69,350
Transfers out	<u>(6,000)</u>
Change in net position	(94,547)
Net position, beginning	<u>1,314,250</u>
Net position, ending	<u><u>\$ 1,219,703</u></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, 2019

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 1,811,559
Payments to suppliers for goods and services	(891,574)
Payments to employees	<u>(674,035)</u>
Net cash provided by operating activities	245,950

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES**

Cash received from other governments	68,596
Operating transfers to other funds	(6,000)
Increase in due to other funds	<u>176,075</u>
Net cash provided by noncapital financing activities	238,671

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

Principal payments on revenue bonds	(91,000)
Principal payments on capital lease obligations	(147,842)
Interest payments on revenue bonds and capital lease obligations	(91,754)
Acquisition and construction of capital assets	<u>(126,926)</u>
Net cash used by capital and related financing activities	(457,522)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on interest-bearing deposits	<u>1,354</u>
Net cash provided by investing activities	<u>1,354</u>
Net increase in cash and cash equivalents	28,453
Cash and cash equivalents, beginning of period	<u>873,921</u>
Cash and cash equivalents, end of period	<u><u>\$ 902,374</u></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, 2019

**Reconciliation of operating loss to net cash  
provided by operating activities:**

Operating loss	\$ (67,497)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	323,888
Pension expense, net of nonemployer contributions	(23,090)
Decrease in accounts receivable	31,122
Increase in prepaid expenses	(246)
Decrease in accounts payable and other accrued liabilities	(31,125)
Increase in note payable	9,160
Increase in customer meter deposits	3,738
Total adjustments	<u>313,447</u>
Net cash provided by operating activities	<u>\$ 245,950</u>

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	\$ 164,236
Interest-bearing deposits - restricted	<u>709,685</u>
Total cash and cash equivalents	873,921
Cash and cash equivalents, end of year -	
Interest-bearing deposits - unrestricted	81,303
Interest-bearing deposits - restricted	<u>821,071</u>
Total cash and cash equivalents	<u>902,374</u>
Net increase in cash and cash equivalents	<u>\$ 28,453</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 30<sup>th</sup>, 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 2<sup>nd</sup> 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 30<sup>th</sup>, 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 3<sup>rd</sup> 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 by a given

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 public

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds:

Special Revenue Funds:

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

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

Debt Service Funds:

*Equipment Lease Fund*—accumulates monies for payment of capital lease of a backhoe.

*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.

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 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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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".

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$76,046 has been provided at April 30, 2019.

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."

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.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019, no capitalized interest expense was recorded on the books.

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, 2019, no provision for estimated uncollectible accounts was recorded on the books.

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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 17, 2019, 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.

The carrying value of the City's cash and interest-bearing deposits with financial institutions at April 30, 2019 totaled \$3,673,561 and the bank balance was \$3,890,721. 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.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 3 AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1<sup>st</sup> 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 1<sup>st</sup> 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, 2019, taxes of 19.64 mills were levied on property with assessed valuations totaling \$37,215,791 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, 2019 consisted of the following amounts:

	<u>Receivables</u>	<u>Payables</u>
<b>Governmental Funds</b>		
Major Funds:		
General Fund		
Special Revenue Funds	\$ 2,042	\$ 397,717
Proprietary Fund	<u>2,027</u>	<u>30,058</u>
Total General Fund	4,069	427,775
Special Revenue Funds:		
Liquid and Solid Waste Fund		
General Fund	397,717	2,042
Capital Projects Funds	15,300	-
Proprietary Fund	<u>2,201,497</u>	<u>-</u>
Total Special Revenue Funds	<u>2,614,514</u>	<u>2,042</u>
Capital Projects Fund:		
Special Revenue Funds	<u>-</u>	<u>15,300</u>
Total Capital Projects Fund	<u>-</u>	<u>15,300</u>
Total major funds	<u>2,618,583</u>	<u>445,117</u>
Total governmental funds	2,618,583	445,117
<b>Business-Type Fund</b>		
Proprietary Fund:		
General Fund	30,058	2,027
Special Revenue Funds	<u>-</u>	<u>2,201,497</u>
Total business-type fund	<u>30,058</u>	<u>2,203,524</u>
Total interfund receivables/payables	<u>\$ 2,648,641</u>	<u>\$ 2,648,641</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)

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, 2019 consisted of the following:

	General Fund	Liquid and Solid Waste Fund	Capital Outlay Fund	Utility Fund	Totals	Component Units
Federal Government Grants	\$ 9,704	\$ -	\$ -	\$ -	\$ 9,704	\$ -
State of Louisiana Video poker taxes	48,113	-	-	-	48,113	-
St. Mary Parish Council Reimbursements	9,107	10,024	1,100	-	20,231	-
St. Mary Parish Consolidated Drainage District No. 1 Reimbursements	-	-	1,100	-	1,100	-
St. Mary Parish Water and Sewer Commission No. 3 Charges for services	-	-	-	754	754	-
City Court Marshal Reimbursements	-	-	-	-	-	2,094
Total due from other governmental units	<u>\$ 66,924</u>	<u>\$ 10,024</u>	<u>\$ 2,200</u>	<u>\$ 754</u>	<u>\$ 79,902</u>	<u>\$ 2,094</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, 2019, was as follows:

	Balance 4/30/2018	Additions	Deletions	Balance 4/30/2019
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 825,187	\$ -	\$ -	\$ 825,187
Construction in progress	<u>753,238</u>	<u>2,097,460</u>	-	<u>2,850,698</u>
Total capital assets not being depreciated	1,578,425	2,097,460	-	3,675,885
Capital assets being depreciated:				
Buildings	2,746,372	-	-	2,746,372
Improvements	17,892,675	-	-	17,892,675
Equipment	<u>4,663,915</u>	<u>114,531</u>	<u>(60,003)</u>	<u>4,718,443</u>
Total capital assets being depreciated	25,302,962	114,531	(60,003)	25,357,490
Less accumulated depreciation for:				
Buildings	(1,985,355)	(40,236)	-	(2,025,591)
Improvements	(11,824,828)	(377,484)	-	(12,202,312)
Equipment	<u>(3,829,017)</u>	<u>(198,099)</u>	<u>60,003</u>	<u>(3,967,113)</u>
Total accumulated depreciation	<u>(17,639,200)</u>	<u>(615,819)</u>	<u>60,003</u>	<u>(18,195,016)</u>
Total capital assets, being depreciated, net	<u>7,663,762</u>	<u>(501,288)</u>	-	<u>7,162,474</u>
Governmental activities capital assets, net	<u>\$ 9,242,187</u>	<u>\$ 1,596,172</u>	<u>\$ -</u>	<u>\$ 10,838,359</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets not being depreciated	10,000	-	-	10,000
Capital assets being depreciated:				
Building improvements and equipment	9,887,174	126,926	(8,631)	10,005,469
Automotive equipment	250,394	-	(7,695)	242,699
Furniture and fixtures	<u>91,171</u>	<u>-</u>	<u>-</u>	<u>91,171</u>
Total capital assets being depreciated	10,228,739	126,926	(16,326)	10,339,339
Less accumulated depreciation for:				
Building improvements and equipment	(4,657,289)	(318,316)	8,631	(4,966,974)
Automotive equipment	(219,058)	(4,826)	7,695	(216,189)
Furniture and fixtures	<u>(86,318)</u>	<u>(746)</u>	<u>-</u>	<u>(87,064)</u>
Total accumulated depreciation	<u>(4,962,665)</u>	<u>(323,888)</u>	<u>16,326</u>	<u>(5,270,227)</u>
Total capital assets, being depreciated, net	<u>5,266,074</u>	<u>(196,962)</u>	-	<u>5,069,112</u>
Business-type activities capital assets, net	<u>\$ 5,276,074</u>	<u>\$ (196,962)</u>	<u>\$ -</u>	<u>\$ 5,079,112</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	\$	31,195
Judicial		4,122
Public safety:		
Police		52,133
Fire		61,938
Public works:		
Streets and drainage		137,068
Culture and recreation		80,719
Community development		71,701
Sanitation		176,943
Total depreciation expense, governmental activities	\$	<u>615,819</u>
Business-type activities:		
Water	\$	<u>323,888</u>

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Component Unit:				
City Court -				
Capital assets being depreciated:				
Furniture, fixtures, and equipment	\$ 60,416	\$ 15,920	\$ -	\$ 76,336
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	<u>(46,674)</u>	<u>(4,363)</u>	<u>-</u>	<u>(51,037)</u>
Total capital assets being depreciated, net	<u>\$ 13,742</u>	<u>\$ 11,557</u>	<u>\$ -</u>	<u>\$ 25,299</u>

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Component Unit:				
Ward Three Marshal -				
Capital assets being depreciated:				
Vehicles	\$ 23,770	\$ -	\$ -	\$ 23,770
Furniture and equipment	<u>7,164</u>	<u>-</u>	<u>-</u>	<u>7,164</u>
	30,934	-	-	30,934
Less accumulated depreciation for:				
Vehicles, furniture and equipment	<u>(18,740)</u>	<u>(4,231)</u>	<u>-</u>	<u>(22,971)</u>
Total capital assets being depreciated, net	<u>\$ 12,194</u>	<u>\$ (4,231)</u>	<u>\$ -</u>	<u>\$ 7,963</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, 2019:

	Balance April 30, 2018	Additions	Deletions	Balance April 30, 2019	Due Within One Year
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 106,366	\$ 729,636	\$ 33,000	\$ 803,002	\$ 52,250
Revenue Bonds	1,433,000	-	129,000	1,304,000	131,000
Capital Leases	175,851	17,667	36,163	157,355	38,988
Compensated Absences	94,463	42,761	95,114	42,110	41,304
Pension Obligations	<u>3,574,126</u>	<u>252,490</u>	<u>3,236</u>	<u>3,823,380</u>	<u>-</u>
Total governmental activities	5,383,806	1,042,554	296,513	6,129,847	263,542
<u>Business-type activities:</u>					
Revenue bonds payable	\$ 1,247,000	\$ -	\$ 91,000	\$ 1,156,000	\$ 93,000
Capital Leases	1,422,628	-	147,842	1,274,786	152,689
Pension Obligations	<u>646,598</u>	<u>12,918</u>	<u>-</u>	<u>659,516</u>	<u>-</u>
Total business-type activities	<u>3,316,226</u>	<u>12,918</u>	<u>238,842</u>	<u>3,090,302</u>	<u>245,689</u>
Total government	<u>\$ 8,700,032</u>	<u>\$ 1,055,472</u>	<u>\$ 535,355</u>	<u>\$ 9,220,149</u>	<u>\$ 509,231</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, 2019 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	\$ 1,250	\$ -
\$1,880,000 Taxable Limited Tax Bonds, Series 2018, dated April 18, 2018; due in annual installments of \$51,000 to \$61,000, maturing April 1, 2038; bearing interest at 0.95%; secured by ad valorem tax revenue proceeds.	<u>801,752</u>	<u>-</u>
Total General Obligation Bonds Payable	803,002	-
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	104,000	-
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>1,200,000</u>	<u>-</u>
Total Revenue Bonds Payable	1,304,000	-
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>1,156,000</u>
Total bonds payable	<u>\$ 2,107,002</u>	<u>\$ 1,156,000</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN LONG-TERM DEBT (CONTINUED)

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

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, 2019, are as follows:

<u>General Obligation Bonds:</u>	<u>Governmental Activities</u>		
Year Ending April 30,	Principal	Interest	Total
2020	\$ 52,250	\$ 7,270	\$ 59,520
2021	52,000	7,132	59,132
2022	52,000	6,638	58,638
2023	53,000	6,144	59,144
2024	53,000	5,641	58,641
2025 - 2029	274,000	20,537	294,537
2030 - 2034	<u>266,752</u>	<u>7,313</u>	<u>274,065</u>
Total	<u>\$ 803,002</u>	<u>\$ 60,675</u>	<u>\$ 863,677</u>
 <u>Revenue Bonds:</u>			
Year Ending April 30,	Principal	Interest	Total
2020	\$ 131,000	\$ 43,956	\$ 174,956
2021	138,000	39,653	177,653
2022	90,000	35,117	125,117
2023	90,000	31,787	121,787
2024	95,000	28,626	123,626
2025 - 2029	415,000	92,249	507,249
2030 - 2031	<u>345,000</u>	<u>9,148</u>	<u>354,148</u>
Total	<u>\$ 1,304,000</u>	<u>\$ 280,536</u>	<u>\$ 1,584,536</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN LONG-TERM DEBT (CONTINUED)

Year Ending April 30,	Business-type Activities		
	Principal	Interest	Total
2020	\$ 93,000	\$ 34,102	\$ 127,102
2021	95,000	31,358	126,358
2022	98,000	28,556	126,556
2023	100,000	25,664	125,664
2024	102,000	22,716	124,716
2025 - 2029	550,000	66,848	616,848
2030	118,000	3,482	121,482
Total	<u>\$ 1,156,000</u>	<u>\$ 212,726</u>	<u>\$ 1,368,726</u>

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

	Governmental	Business-type
Equipment - ladder truck	\$ 595,500	\$ -
Equipment - police cars	61,846	-
Equipment - backhoe	74,562	-
Equipment - police cars	110,250	-
Equipment - lawn mowers	17,667	-
Water meters	-	1,635,785
Less: accumulated amortization	<u>(669,134)</u>	<u>(109,052)</u>
Net value	190,691	1,526,733

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

The following is a schedule 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, 2019:

<u>Year ending:</u>	Governmental	Business-type
2020	\$ 45,880	\$ 192,911
2021	48,247	192,911
2022	47,467	192,911
2023	31,535	192,911
2024	-	192,911
2025 - 2027	-	482,280
Total minimum lease payments	173,129	1,446,835
Less: amount representing interest	<u>(15,774)</u>	<u>(172,049)</u>
Present value of net minimum lease payments	<u>\$ 157,355</u>	<u>\$ 1,274,786</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 9 INTERFUND TRANSFERS

	Transfers in	Transfers out
	<u>          </u>	<u>          </u>
<b>Governmental Funds</b>		
Major Funds:		
General Fund:		
Capital Projects Fund	\$ -	\$ 709,068
Debt Service Funds	<u>-</u>	<u>75,200</u>
Total General Fund	-	784,268
Special Revenue Funds:		
Liquid and Solid Waste Fund		
Capital Projects Fund	-	1,198,918
Debt Service Funds	<u>-</u>	<u>64,800</u>
Total Special Revenue Funds	<u>-</u>	<u>1,263,718</u>
Capital Projects Fund:		
General Fund	709,068	-
Special Revenue Funds	<u>1,198,918</u>	<u>-</u>
Total Capital Projects Fund	<u>1,907,986</u>	<u>-</u>
Total Major Funds	1,907,986	2,047,986
Nonmajor Funds:		
Debt Service Funds		
General Fund	75,200	-
Special Revenue Funds	64,800	-
Proprietary Fund	<u>6,000</u>	<u>-</u>
Total Debt Service Funds	<u>146,000</u>	<u>-</u>
Total Nonmajor Funds	<u>146,000</u>	<u>-</u>
<b>Total Governmental Funds</b>	<u>2,053,986</u>	<u>2,047,986</u>
<b>Business-type Fund</b>		
Proprietary Fund		
Debt Service Funds	<u>-</u>	<u>6,000</u>
<b>Total Business-Type Fund</b>	<u>-</u>	<u>6,000</u>
Total Interfund Transfers	<u>\$ 2,053,986</u>	<u>\$ 2,053,986</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.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

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:

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 20<sup>th</sup> 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.

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### 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. (2019 collections \$1,025,689). 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, 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. (2019 collections \$279,902). 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. (2019 collections \$906,287). 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:

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

*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](http://www.mersla.com).

*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](http://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](http://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.fffret.com](http://www.fffret.com).

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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.

*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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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.

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on 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, an

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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, 2018, the actual employer and employee contribution rates for Plan A were 24.75% and 9.50%, respectively. Contributions to MERS Plan A from the City were \$328,220 for the year ended June 30, 2018.

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, 2018, total contributions due from employers and employees was between 38.75% and 40.75%. The employer and employee contribution rates for members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 30.75% and 10%, respectively. The employer and employee contribution rates for all Non Hazardous Duty members hired after January 1, 2013 were 30.75% and 8%, respectively. The employer and employee contribution rates for members whose earnable compensation is less than or equal to the poverty guidelines issued by the U.S. Department of Health and Human Services were 33.25% and 7.5%, respectively. Contributions to MPERS from the City were \$93,136 for the year ended June 30, 2018.

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, 2018 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, 2018 was 39.6%. Contributions to LASERS from the City were \$8,258 for the year ended June 30, 2018.

#### *Firefighters' Retirement System of Louisiana*

Employer contributions are actuarially determined each year. For the year ended June 30, 2018, employer and employee contributions for members above the poverty line were 26.5% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 28.5% and 8.0%, respectively. Contributions to FFRS from the City were \$45,366 for the year ended June 30, 2018.

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, 2018 and excluded from pension expense.

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

At April 30, 2019, the City reported liabilities in its government-wide financial statements of \$3,785,024 and \$659,516 in its governmental activities and its business-type activities, respectively for its proportionate share of the Net Pension Liabilities of MERS, MPERS,

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

LASERS, and FFRS. The Net Pension Liabilities were measured as of June 30, 2018 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, 2018 as compared to the total of all employers' contributions received by MERS and MPERS during the fiscal year ended June 30, 2018. The City's proportion of the LASERS Net Pension Liability was based on each employer's projected contributions to LASERS for 2019 as compared to the total of all employers' projected contributions to LASERS for 2019. The City's proportion of the FFRS Net Pension Liability was based on each employer's contributions to FFRS during the fiscal year ended June 30, 2018 as compared to the total of all combined contributions received by FFRS during the fiscal year ended June 30, 2018.

At June 30, 2018, the City's proportion of MERS's Net Pension Liability was 0.727959%, which was an increase of 0.026093% from its proportion measured as of June 30, 2017. At June 30, 2018, the City's proportion of MPERS's Net Pension Liability was 0.105378%, which was an increase of 0.011849% from its proportion measured as of June 30, 2017. At June 30, 2018, the City's proportion of LASERS's Net Pension Liability was 0.001020%, which was a decrease of 0.000060% from its proportion measured as of June 30, 2017. At June 30, 2018, the City's proportion of FFRS's Net Pension Liability was 0.081638%, which was an increase of 0.020500% from its proportion measured as of June 30, 2017.

For the year ended April 30, 2019, the City recognized pension expense of \$506,179 and \$88,877 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, 2019, 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	\$ 4,016	\$ 165,642	\$ -	\$ 23,577
Changes of assumptions	162,463	74	19,963	-
Net difference between projected and actual earnings on pension plan investments	434,440	-	101,621	-
Changes in proportion	322,164	271,820	13,001	28,663
Differences between employer contributions and proportionate share of contributions	1,081	10,566	-	(541)
Employer contributions subsequent to the measurement date	<u>377,726</u>	<u>-</u>	<u>70,542</u>	<u>-</u>
Total	<u>\$ 1,301,890</u>	<u>\$ 448,102</u>	<u>\$ 205,127</u>	<u>\$ 51,699</u>

\$448,268 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, 2020. 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
2020	\$ 221,391	\$ 33,285	\$ 254,676
2021	177,291	37,734	215,025
2022	25,263	8,963	34,226
2023	31,043	2,904	33,947
2024	6,196	-	6,196
2025	<u>14,878</u>	<u>-</u>	<u>14,878</u>
Total	<u>\$ 476,062</u>	<u>\$ 82,886</u>	<u>\$ 558,948</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, 2018 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*

<b>Actuarial Cost Method</b>	Entry Age Normal Cost
<b>Actuarial Cost Assumptions:</b>	
<b>Expected Remaining</b>	
<b>Service Lives</b>	3 years
<b>Investment Rate of Return</b>	7.275%
<b>Inflation Rate</b>	2.6%
<b>Projected Salary Increases</b>	5.0%, including inflation and merit increases
<b>Mortality Rates</b>	RP-2000 Employees Sex Distinct 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 Table for disabled annuitants (set back 5 years for males and 3 years for females)
<b>Cost of Living Adjustments</b>	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, 2018 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 7.0% for the year ended June 30, 2018.

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, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Public equity	50.00%	2.20%
Public fixed income	35.00%	1.50%
Alternatives	<u>15.00%</u>	<u>0.60%</u>
Totals	100.00%	4.30%
Inflation		<u>2.70%</u>
Expected Arithmetic Nominal Return		<u>7.00%</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

*Municipal Police Employees' Retirement System*

<b>Actuarial Cost Method</b>	Entry Age Normal Cost	
<b>Actuarial Cost Assumptions:</b>		
<b>Expected Remaining</b>		
<b>Service Lives</b>	4 years	
<b>Investment Rate of Return</b>	7.20%, net of investment expense	
<b>Inflation Rate</b>	2.600%	
<b>Salary Increases, including</b>		
<b>inflation and merit</b>	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
<b>Mortality Rates</b>	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 AA 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)	
<b>Cost of Living Adjustments</b>	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.

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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 8.03% for the year ended June 30, 2018.

Best estimates of arithmetic nominal rates of return for each major asset class included in MPERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity	52.00%	3.58%
Fixed income	22.00%	0.46%
Alternative	20.00%	1.07%
Other	<u>6.00%</u>	<u>0.17%</u>
Totals	100.00%	5.28%
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>8.03%</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

*Louisiana State Employees' Retirement System*

<b>Actuarial Cost Method</b>	Entry Age Normal																					
<b>Actuarial Cost Assumptions:</b>																						
<b>Expected Remaining</b>																						
<b>Service Lives</b>	3 years																					
<b>Investment Rate of Return</b>	7.65% per annum, net of investment expense*																					
<b>Inflation Rate</b>	2.75% per annum																					
<b>Salary Increases</b>	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;">3.8%</td> <td style="text-align: center;">12.8%</td> </tr> <tr> <td>Judges</td> <td style="text-align: center;">2.8%</td> <td style="text-align: center;">5.3%</td> </tr> <tr> <td>Corrections</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> <tr> <td>Hazardous Duty</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> <tr> <td>Wildlife</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> </table>		Lower	Upper	<u>Member Type</u>	<u>Range</u>	<u>Range</u>	Regular	3.8%	12.8%	Judges	2.8%	5.3%	Corrections	3.4%	14.3%	Hazardous Duty	3.4%	14.3%	Wildlife	3.4%	14.3%
	Lower	Upper																				
<u>Member Type</u>	<u>Range</u>	<u>Range</u>																				
Regular	3.8%	12.8%																				
Judges	2.8%	5.3%																				
Corrections	3.4%	14.3%																				
Hazardous Duty	3.4%	14.3%																				
Wildlife	3.4%	14.3%																				
<b>Mortality Rates</b>	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																					
<b>Termination, Disability, and Retirement</b>	Termination, disability, and retirement assumptions were projected based on a five year (2009-2013) experience study of LASERS's members.																					
<b>Cost of Living Adjustments</b>	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 8.05%, recognizing an additional 40 basis points for gain-sharing.

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 8.83% for 2018.

Best estimates of geometric real rates of return for each major asset class included in LASERS' target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	0.00%	-0.48%
Domestic equity	23.00%	4.31%
International equity	32.00%	5.26%
Domestic fixed income	6.00%	1.49%
International fixed income	10.00%	2.23%
Alternative investments	22.00%	7.67%
Risk parity	<u>7.00%</u>	4.96%
Totals	<u>100.00%</u>	5.40%

*Firefighters' Retirement System of Louisiana*

<b>Actuarial Cost Method</b>	Entry Age Normal Cost
<b>Actuarial Cost Assumptions:</b>	
<b>Expected Remaining</b>	
<b>Service Lives</b>	7 years
<b>Investment Rate of Return</b>	7.30% per annum (net of fees)
<b>Inflation Rate</b>	2.700% per annum
<b>Salary Increases</b>	Vary from 15.0% in the first two years of service to 4.75% after 25 years
<b>Mortality Rates</b>	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)
<b>Cost of Living Adjustments</b>	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 of 2.75%. The resulting long term expected arithmetic nominal rate of return was 8.09% as of June 30, 2018.

Best estimates of arithmetic real rates of return for each major asset class included in FFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity:		
U.S. Equity	22.00%	6.14%
Non-U.S. Equity	22.00%	7.46%
Global Equity	10.00%	6.74%
Fixed Income	26.00%	1.76%
Alternatives:		
Real Estate	6.00%	4.38%
Private Equity	4.00%	8.73%
Multi-Asset Strategies:		
Global Tactical Asset Allocation	5.00%	4.31%
Risk Parity	<u>5.00%</u>	<u>4.89%</u>
Totals	100.00%	5.34%
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>8.09%</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Discount Rate

*Municipal Employees' Retirement System of Louisiana Plan A*

The discount rate used to measure the total pension liability was 7.275% for the year ended June 30, 2018, which was 0.125% less than the discount rate used to measure the total pension liability at June 30, 2017.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, 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 7.20% for the year ended June 30, 2018, which was 0.125% less than the discount rate used to measure the total pension liability at June 30, 2017.

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 7.65% for the year ended June 30, 2018, which was 0.05% less than the discount rate used to measure the total pension liability at June 30, 2017.

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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 7.3% for the year ended June 30, 2018, which was 0.1% less than the discount rate used to measure the total pension liability at June 30, 2017.

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 and non-employer contributing entities 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 7.275%, 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, 2018:

	<b>1.0% Decrease</b>	<b>Current</b>	<b>1.0% Increase</b>
	<b>6.275%</b>	<b>Discount Rate</b>	<b>8.275%</b>
	<b>_____</b>	<b>_____</b>	<b>_____</b>
City's proportionate share of the net pension liability	\$ 3,872,071	\$ 3,014,244	\$ 2,282,058

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

*Municipal Police Employees' Retirement System*

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.20%, 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, 2018:

	<b>1.0% Decrease</b>	<b>Current</b>	<b>1.0% Increase</b>
	<b>6.20%</b>	<b>Discount Rate</b>	<b>8.20%</b>
	<u>6.20%</u>	<u>7.20%</u>	<u>8.20%</u>
City's proportionate share of the net pension liability	\$ 1,251,922	\$ 890,872	\$ 587,965

*Louisiana State Employees' Retirement System*

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.65%, 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, 2018:

	<b>1.0% Decrease</b>	<b>Current</b>	<b>1.0% Increase</b>
	<b>6.65%</b>	<b>Discount Rate</b>	<b>8.65%</b>
	<u>6.65%</u>	<u>7.65%</u>	<u>8.65%</u>
City's proportionate share of the net pension liability	\$ 88,138	\$ 69,836	\$ 54,074

*Firefighters' Retirement System of Louisiana*

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.3%, 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, 2018:

	<b>1.0% Decrease</b>	<b>Current</b>	<b>1.0% Increase</b>
	<b>6.30%</b>	<b>Discount Rate</b>	<b>8.30%</b>
	<u>6.30%</u>	<u>7.30%</u>	<u>8.30%</u>
City's proportionate share of the net pension liability	\$ 685,240	\$ 469,588	\$ 288,366

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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, 2019, the City recognized revenue of \$76,947 and \$10,444 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](http://www.mersla.com).

*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](http://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](http://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](http://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

Plan description

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 13 CITY OF FRANKLIN FUNDED PENSION PLAN (CONTINUED)

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.

Funding policy

At April 30, 2019, there were no pension assets, deferred outflows of resources or deferred inflows of resources related to this pension plan. Adjustments to the pension liability for changes in benefit terms, differences between actual and expected experiences, and the changes of assumptions or other input is recognized in the current year because the member is retired and the average expected remaining service life is zero. No funds have been accumulated, nor are any funds expected to be accumulated for the payment of these benefits. All benefits are paid directly by the City as they come due.

Annual pension cost and total pension liability

For the year ended April 30, 2019, an actuarial valuation was performed to determine the City's annual required contribution (ARC) and the net pension obligation (NPO).

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

Annual required contribution	\$ 7,645
Interest on net pension obligation	1,248
Adjustment to annual required contribution	<u>(4,099)</u>
Net annual pension costs	4,794
Contributions made	<u>(7,422)</u>
Decrease in net pension obligation	(2,628)
Net pension obligation - beginning of year	<u>41,592</u>
Net pension obligation - end of year	<u>\$ 38,964</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 13 CITY OF FRANKLIN FUNDED PENSION PLAN (CONTINUED)

Actuarial methods and assumptions

The ARC for the plan was determined as part of the April 30, 2019 actuarial valuation using the following methods and assumptions:

Valuation date	April 30, 2019
Actuarial cost method	Projected unit credit
Asset valuation method	Market value of assets
Inflation rate	None
Long term rate of return	3.00%
Remaining amortization period	6.29 years based on 19AF - 2019 Annuitant (female) mortality tables

A 3.00% discount rate was used to calculate the ARC at April 30, 2019.

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, 2019. 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.

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.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 16 FUND BALANCES (CONTINUED)

**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, 2019:

	General Fund	Liquid and Solid Waste Fund	Capital Outlay Fund	Other Governmental	Total Governmental Funds
Nonspendable:					
Prepaid Expenses	\$ 75,256	\$ 18,315	\$ -	\$ -	\$ 93,571
Perpetual Care	32,953	-	-	-	32,953
Restricted:					
Debt Service	-	-	-	257,311	257,311
School Lunch Program	-	-	-	628	628
Drug Enforcement	-	-	-	17,679	17,679
Committed:					
Sewer Operations	-	3,456,346	-	-	3,456,346
Assigned:					
Police Operations	23,621	-	-	-	23,621
Unassigned	<u>651,107</u>	<u>-</u>	<u>(175,526)</u>	<u>-</u>	<u>475,581</u>
Total fund balances	<u>\$ 782,937</u>	<u>\$ 3,474,661</u>	<u>\$ (175,526)</u>	<u>\$ 275,618</u>	<u>\$ 4,357,690</u>

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.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 16 FUND BALANCES (CONTINUED)

The deficit fund balance in the Capital Projects Fund is primarily the result of amounts due to the Liquid and Solid Waste Fund and payables to various contractors.

NOTE 17 COMPENSATION OF CITY COUNCIL MEMBERS

Compensation paid to members of the City Council for the year ended April 30, 2019 was as follows:

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

NOTE 18 COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD

Agency Head Name: Mayor Raymond Harris, Jr. (May 1, 2018 through June 30, 2018)

Purpose	Amount
Salary	\$ 20,844
Benefits - insurance	46
Benefits - retirement	2,398
Car allowance	900
Cell phone	70
Unvouchered expenses (Expense Allowance)	500
Total	<u>\$ 24,758</u>

Agency Head Name: Mayor Eugene P. Foulcard (July 1, 2018 through April 30, 2019)

Purpose	Amount
Salary	\$ 48,308
Benefits - insurance	3,134
Benefits - retirement	12,300
Car allowance	4,275
Cell phone	333
Unvouchered expenses (Expense Allowance)	2,375
Total	<u>\$ 70,725</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 19 PRIOR PERIOD ADJUSTMENT

During the fiscal year ended April 30, 2018, debt forgiveness income in the amount of \$62,650 was erroneously recorded as an increase in long-term debt related to the \$1,880,000 Limited Tax Bonds, Series 2018, in the Liquid and Solid Waste special revenue fund. Therefore, in order to properly to account for the reduction in long-term debt in the current year, beginning net position should be restated as follows:

	Government-Wide Financial Statements
	<u>Governmental Activities</u>
Beginning balance, before restatement	\$ 9,104,633
Correction for forgiveness of debt	<u>62,650</u>
Beginning balance, as restated	<u><u>\$ 9,167,283</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule  
 General Fund  
 Year Ended April 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes:				
Ad valorem	\$ 500,000	\$ 514,000	\$ 508,435	\$ (5,565)
Interest and notices on ad valorem taxes	3,850	3,850	4,715	865
Sales	1,520,000	1,705,000	1,607,610	(97,390)
Franchise fees	400,000	400,000	418,580	18,580
Intergovernmental:				
Beer taxes	6,000	6,000	6,630	630
Video poker	175,000	220,000	200,522	(19,478)
Indian gaming	37,000	42,000	37,000	(5,000)
State grants	50,000	300,000	265,295	(34,705)
Federal grants	150,000	150,000	121,504	(28,496)
St. Mary Parish Council	315,000	862,000	856,869	(5,131)
Other governments	63,000	65,000	21,853	(43,147)
Licenses and permits	337,000	339,000	368,176	29,176
Fines and forfeitures	96,000	78,000	94,645	16,645
Rentals	60,000	57,000	50,540	(6,460)
Investment earnings	2,200	2,200	1,609	(591)
Miscellaneous:				
Cemetery plot sales	17,000	20,000	19,325	(675)
Mausoleum sales	30,000	30,000	36,250	6,250
Other sources	74,200	115,400	140,042	24,642
Total revenues	<u>3,836,250</u>	<u>4,909,450</u>	<u>4,759,600</u>	<u>(149,850)</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government -				
Administrative	\$ 270,230	\$ 317,100	\$ 322,418	\$ (5,318)
Judicial	334,700	375,600	395,937	(20,337)
Public Safety -				
Police	1,212,770	1,293,875	1,293,063	812
Fire	568,750	727,650	738,986	(11,336)
Public works -				
Streets and drainage	604,400	648,600	623,303	25,297
Other funding	186,600	368,875	346,337	22,538
Recreation	245,950	312,800	323,183	(10,383)
Community development	126,850	143,450	137,709	5,741
Debt Service -				
Principal	80,000	80,000	107,538	(27,538)
Interest and fiscal charges	45,000	45,000	52,036	(7,036)
Capital Outlay -				
Administrative	-	2,500	2,564	(64)
Police	44,000	3,000	3,497	(497)
Public works	7,000	7,000	17,667	(10,667)
Recreation	4,000	3,000	31,952	(28,952)
Total expenditures	<u>3,730,250</u>	<u>4,328,450</u>	<u>4,396,190</u>	<u>(67,740)</u>
Excess (deficiency) of revenues over expenditures	106,000	581,000	363,410	(217,590)
Other financing sources (uses):				
Proceeds from capital lease	-	-	17,667	17,667
Transfers out	(106,000)	(581,000)	(784,268)	(203,268)
Total other financing sources (uses)	<u>(106,000)</u>	<u>(581,000)</u>	<u>(766,601)</u>	<u>(185,601)</u>
Change in fund balance	-	-	(403,191)	(403,191)
Fund balance, beginning	<u>1,186,128</u>	<u>1,186,128</u>	<u>1,186,128</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,186,128</u>	<u>\$ 1,186,128</u>	<u>\$ 782,937</u>	<u>\$ (403,191)</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 210,000	\$ 210,000	\$ 214,345	\$ 4,345
Sales	830,000	900,000	906,287	6,287
Intergovernmental:				
St. Mary Parish Council	175,000	175,000	206,473	31,473
Charges for services:				
Sewer user fees	261,000	246,000	234,495	(11,505)
Garbage and landfill fees	720,000	675,000	563,862	(111,138)
Investment earnings	400	100	23	(77)
Miscellaneous	-	12,000	11,422	(578)
Total revenues	<u>2,196,400</u>	<u>2,218,100</u>	<u>2,136,907</u>	<u>(81,193)</u>
Expenditures:				
Sanitation:				
Administrative	307,965	365,640	378,071	(12,431)
Solid waste department	593,000	603,000	633,970	(30,970)
Sewer collection	357,330	406,600	405,110	1,490
Sewer plant	498,800	521,600	415,327	106,273
Meter department	45,500	86,800	93,326	(6,526)
Debt Service -				
Principal	-	-	18,000	(18,000)
Capital Outlay -				
Sewer collection	2,000	-	65,168	(65,168)
Sewer plant	<u>4,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>1,808,595</u>	<u>2,033,640</u>	<u>2,008,972</u>	<u>24,668</u>
Excess (deficiency) of revenues over expenditures	387,805	184,460	127,935	(56,525)
Other financing uses				
Bond proceeds	1,500,000	1,500,000	729,636	(770,364)
Debt forgiveness income	-	-	507,240	507,240
Transfers out	<u>(1,561,800)</u>	<u>(1,561,800)</u>	<u>(1,263,718)</u>	<u>298,082</u>
Total other financing sources (uses)	<u>(61,800)</u>	<u>(61,800)</u>	<u>(26,842)</u>	<u>34,958</u>
Change in fund balance	326,005	122,660	101,093	(21,567)
Fund balance, beginning	<u>3,373,568</u>	<u>3,373,568</u>	<u>3,373,568</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,699,573</u>	<u>\$ 3,496,228</u>	<u>\$ 3,474,661</u>	<u>\$ (21,567)</u>

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule  
 Capital Outlay Fund  
 Year Ended April 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
State grants	\$ 1,000,000	\$ 1,000,000	\$ -	\$ (1,000,000)
St. Mary Parish Council	1,000,000	1,000,000	20,193	(979,807)
Investment earnings	10	10	240	230
Total revenues	<u>2,000,010</u>	<u>2,000,010</u>	<u>20,433</u>	<u>(1,979,577)</u>
Expenditures:				
Miscellaneous	60	10	1,232	(1,222)
Capital Outlay	<u>3,500,000</u>	<u>3,000,000</u>	<u>2,091,144</u>	<u>908,856</u>
Total expenditures	<u>3,500,060</u>	<u>3,000,010</u>	<u>2,092,376</u>	<u>907,634</u>
Excess (deficiency) of revenues over expenditures	(1,500,050)	(1,000,000)	(2,071,943)	(1,071,943)
Other financing sources (uses)				
Operating transfers in	<u>1,500,050</u>	<u>1,000,000</u>	<u>1,907,986</u>	<u>907,986</u>
Total other financing sources (uses)	<u>1,500,050</u>	<u>1,000,000</u>	<u>1,907,986</u>	<u>907,986</u>
Change in fund balance	-	-	(163,957)	(163,957)
Fund balance, beginning	<u>(11,569)</u>	<u>(11,569)</u>	<u>(11,569)</u>	<u>-</u>
Fund balance, ending	<u>\$ (11,569)</u>	<u>\$ (11,569)</u>	<u>\$ (175,526)</u>	<u>\$ (163,957)</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, 2019

Fiscal Year Ended April 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.883401%	\$ 3,155,647	\$ 1,497,323	210.75%	66.18%
2017	0.826225%	3,386,457	1,478,889	228.99%	62.11%
2018	0.701866%	2,936,201	1,274,736	230.34%	62.49%
2019	0.727959%	3,014,244	1,326,141	227.29%	63.94%

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

The amounts presented above have a measurement date of June 30 of the previous year.

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Schedule of Proportionate Share of Net Pension Liability  
Municipal Police Employees' Retirement System  
Year Ended April 30, 2019

Fiscal Year Ended April 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.109510%	\$ 857,896	\$ 280,975	305.33%	70.73%
2017	0.119337%	1,118,524	326,744	342.32%	66.04%
2018	0.093529%	816,548	248,195	328.99%	70.08%
2019	0.105378%	890,872	284,374	313.27%	71.89%

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

The amounts presented above have a measurement date of June 30 of the previous year.

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Schedule of Proportionate Share of Net Pension Liability  
Louisiana State Employees' Retirement System  
Year Ended April 30, 2019

Fiscal Year Ended April 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.001220%	\$ 83,114	\$ 21,952	378.62%	62.66%
2017	0.001050%	82,452	22,374	368.52%	57.73%
2018	0.001080%	75,949	20,854	364.19%	62.54%
2019	0.001020%	69,836	20,854	334.88%	64.30%

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

The amounts presented above have a measurement date of June 30 of the previous year.

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Schedule of Proportionate Share of Net Pension Liability  
 Firefighters' Retirement System of Louisiana  
 Year Ended April 30, 2019

Fiscal Year Ended April 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.057994%	\$ 313,000	\$ 114,242	273.98%	72.45%
2017	0.074360%	486,382	169,997	286.11%	68.16%
2018	0.061138%	350,434	139,455	251.29%	73.55%
2019	0.081638%	469,588	171,193	274.30%	74.76%

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

The amounts presented above have a measurement date of June 30 of the previous year.

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Schedule of Contributions  
Municipal Employees' Retirement System of Louisiana Plan A  
Year Ended April 30, 2019

Year Ended April 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered 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%
2018	316,325	316,125	200	1,295,530	24.40%
2019	385,245	378,977	6,268	1,469,933	25.78%

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

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Schedule of Contributions  
Municipal Police Employees' Retirement System  
Year Ended April 30, 2019

<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 payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2016	\$ 78,612	\$ 86,433	\$ (7,821)	\$ 263,503	32.80%
2017	97,271	96,746	525	310,028	31.21%
2018	80,617	80,587	30	260,755	30.91%
2019	103,731	103,681	50	324,160	31.98%

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

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Schedule of Contributions  
Louisiana State Employees' Retirement System  
Year Ended April 30, 2019

Year Ended April 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2016	\$ 8,431	\$ 8,439	\$ (8)	\$ 21,740	38.82%
2017	7,744	7,758	(14)	20,854	37.20%
2018	8,157	8,142	15	20,854	39.04%
2019	8,154	8,157	(3)	20,854	39.11%

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

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Schedule of Contributions  
 Firefighters' Retirement System of Louisiana  
 Year Ended April 30, 2019

Year Ended April 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2016	\$ 39,904	\$ 39,619	\$ 285	\$ 144,666	27.39%
2017	38,400	38,603	(203)	150,096	25.72%
2018	51,072	51,128	(56)	194,251	26.32%
2019	43,843	43,843	-	165,447	26.50%

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

See accompanying notes to the required supplementary information.

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*

None noted.

*Municipal Police Employees' Retirement System*

None noted.

*Louisiana State Employees' Retirement System*

None noted.

*Firefighters' Retirement System of Louisiana*

None noted.

NOTE 4 CHANGES OF ASSUMPTIONS

*Municipal Employees' Retirement System of Louisiana Plan A*

The investment rate of return decreased from 7.4% to 7.275% since the previous valuation. The inflation rate also decreased from 2.775% to 2.6% since the previous valuation.

*Municipal Police Employees' Retirement System*

The investment rate of return decreased from 7.325% to 7.2% since the previous valuation. The inflation rate also decreased from 2.7% to 2.6% since the previous valuation.

*Louisiana State Employees' Retirement System*

The investment rate of return decreased from 7.70% to 7.65% since the previous valuation.

*Firefighters' Retirement System of Louisiana*

The investment rate of return decreased from 7.4% to 7.3% since the previous valuation. The inflation rate also decreased from 2.775% to 2.7% since the previous valuation.

**SUPPLEMENTAL INFORMATION**

CITY OF FRANKLIN, LOUISIANA

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 April 30, 2019

	Special Revenue			Debt Service	
	Summer Feeding Program Fund	Narcotic Aid Fund	Equipment Lease Fund	2000 Water and Sewer Revenue Bond Sinking Fund	2000 Water and Sewer Revenue Bond Reserve Fund
<b>ASSETS</b>					
Cash and interest bearing deposits	\$ 628	\$17,679	\$ 70,772	\$ 55,391	\$ 55,386
Total assets	<u>\$ 628</u>	<u>\$17,679</u>	<u>\$ 70,772</u>	<u>\$ 55,391</u>	<u>\$ 55,386</u>
<b>FUND BALANCES</b>					
Fund balances:					
Restricted	\$ 628	\$17,679	\$ 70,772	\$ 55,391	\$ 55,386
Total fund balances	<u>\$ 628</u>	<u>\$17,679</u>	<u>\$ 70,772</u>	<u>\$ 55,391</u>	<u>\$ 55,386</u>

Debt Service (Continued)

<u>2000 Water and Sewer System Renewal and Replacement Fund</u>	<u>Total Nonmajor Governmental Funds</u>
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\$ <u>75,762</u>	\$ <u>275,618</u>
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<u>\$ 75,762</u>	<u>\$ 275,618</u>
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\$ <u>75,762</u>	\$ <u>275,618</u>
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<u>\$ 75,762</u>	<u>\$ 275,618</u>
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CITY OF FRANKLIN, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended April 30, 2019

	Special Revenue			Debt Service	
	Summer Feeding Program Fund	Narcotic Aid Fund	Equipment Lease Fund	2000 Water and Sewer Revenue Bond Sinking Fund	2000 Water and Sewer Revenue Bond Reserve Fund
Revenues:					
Intergovernmental					
Federal sources	\$47,484	\$ -	\$ -	\$ -	\$ -
Charges for services	-	2,423	-	-	-
Investment earnings	-	10	3	35	223
Miscellaneous	-	-	-	-	-
Total revenues	47,484	2,433	3	35	223
Expenditures:					
Current -					
Public safety:					
Police	-	5,882	-	-	-
Food services	47,012	-	-	-	-
Debt Service -					
Principal	-	-	14,983	49,000	-
Interest	-	-	2,511	5,587	-
Total expenditures	47,012	5,882	17,494	54,587	-
Excess (deficiency) of revenues over expenditures	472	(3,449)	(17,491)	(54,552)	223
Other financing sources (uses)					
Transfers in	-	-	87,200	58,800	-
Change in fund balances	472	(3,449)	69,709	4,248	223
Fund balances, beginning	156	21,128	1,063	51,143	55,163
Fund balances, ending	\$ 628	\$ 17,679	\$ 70,772	\$ 55,391	\$ 55,386

Debt Service (Continued)

2000 Water and Sewer System Renewal and Replacement Fund	Total Nonmajor Governmental Funds
\$ -	\$ 47,484
-	2,423
<u>304</u>	<u>575</u>
-	-
<u>304</u>	<u>50,482</u>
-	5,882
-	47,012
-	63,983
<u>-</u>	<u>8,098</u>
<u>-</u>	<u>124,975</u>
304	(74,493)
<u>-</u>	<u>146,000</u>
304	71,507
<u>75,458</u>	<u>204,111</u>
<u>\$ 75,762</u>	<u>\$ 275,618</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*

The Honorable Eugene P. Foulcard, 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 (hereinafter, "City"), as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 17, 2019. 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'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's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 2019-001.

### **City of Franklin, Louisiana's Response to Finding**

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

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

October 17, 2019

CITY OF FRANKLIN, LOUISIANA

Summary Schedule of Prior Year Findings  
Year Ended April 30, 2019

Section I Internal Control and Compliance Material to the Financial Statements

2018-001 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 2019-001.

Section II Internal Control and Compliance Material to the Federal Awards

At April 30, 2018, 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, 2018.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Responses  
Year Ended April 30, 2019

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, 2019.

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 2019-001 in Part 2.

FEDERAL AWARDS

This section is not applicable for the year ended April 30, 2019.

MANAGEMENT LETTER

A separate management letter was not issued for the year ended April 30, 2019.

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

2019-001 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: Revenues of the Capital Outlay Fund failed to meet the budgeted amount by five percent or more.

Cause: Failure to properly monitor the revenues of the Capital Outlay Fund led to this condition.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Responses (Continued)  
Year Ended April 30, 2019

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.

Part 3 Findings and Questioned Costs Relating to Federal Programs

At April 30, 2019, 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, 2019

2019-001 Noncompliance with the Louisiana Local Government Budget Act

Management's Response and Planned Corrective Action: Based on information received from our elected state officials, the City believed that the funding authorized for the continuation of the construction of the Bayou Teche Political Archive was to be received in this fiscal year. Toward the end of our fiscal year, the City was advised that the funding was reduced in priority but the notification was not timely enough to allow for modification of the budget. The end result was that the planned expenditures did not occur as the funding was not advanced. The City will not be including in its future budgets any awarded and proposed funding of grants until confirmed that the funds will actually be forwarded by the State with sufficient priority to guarantee advances of funds. The majority of the capital outlay projects of the City rely on grants and advances from other entities as the City itself is not in a position to undergo any capital projects without said funding.

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

**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, 2019

	2000 Water & Sewer Renewal & Replacement Fund in the Utility Fund	Sinking Fund 2000 Water & Sewer Revenue Bonds	Reserve Fund 2000 Water & Sewer Revenue Bonds
Cash, May 1, 2018	\$ 75,458	\$ 51,143	\$ 55,163
Cash receipts:			
Interest earned on account	304	35	223
Transfer from operating account	<u>-</u>	<u>58,800</u>	<u>-</u>
Total cash receipts	304	58,835	223
Cash disbursements:			
Interest and bank charges	-	5,587	-
Principal payments	<u>-</u>	<u>49,000</u>	<u>-</u>
Total cash disbursements	<u>-</u>	<u>54,587</u>	<u>-</u>
Cash, April 30, 2019	<u>\$ 75,762</u>	<u>\$ 55,391</u>	<u>\$ 55,386</u>

CITY OF FRANKLIN, LOUISIANA

Schedule of Changes in Assets Related to  
2009 Water and Sewer Revenue Bond Debt Service  
Year Ended April 30, 2019

		<u>Sinking Fund</u>	<u>Reserve Fund</u>
	2009B Water & Sewer Contingency Fund in the Utility Fund	2009B Water & Sewer Revenue Bonds	2009B Water & Sewer Revenue Bonds
Cash, May 1, 2018	\$ 488,687	\$ 66,335	\$ 154,663
Cash receipts:			
Interest earned on account	539	287	422
Transfer from operating account	<u>294,000</u>	<u>150,000</u>	<u>-</u>
Total cash receipts	294,539	150,287	422
Cash disbursements:			
Interest and bank charges	45,070	32,227	-
Principal payments	147,842	91,000	-
Payments for capital additions	<u>17,723</u>	<u>-</u>	<u>-</u>
Total cash disbursements	<u>210,635</u>	<u>123,227</u>	<u>-</u>
Cash, April 30, 2019	<u>\$ 572,591</u>	<u>\$ 93,395</u>	<u>\$ 155,085</u>

CITY OF FRANKLIN, LOUISIANA  
 Schedule of Sewerage Rates and Billings  
 (Unaudited)  
 Year Ended April 30, 2019

		Billing Amounts
May 2018	Fee based on consumption	\$ 19,505
June 2018		19,320
July 2018		19,081
August 2018		19,391
September 2018		18,320
October 2018		20,218
November 2018		19,244
December 2018		19,252
January 2019		18,293
February 2019		15,972
March 2019		17,768
April 2019		17,188
		\$ 223,552

The number of system users at the end of the fiscal year was 2,834.  
 The average monthly billing per user was \$6.57.

The fee is based on water consumption set at:  
 \$2.60 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, 2019

		<u>Billing Amounts</u>
May 2018	Fee based on consumption	\$ 131,397
June 2018		127,736
July 2018		127,736
August 2018		125,853
September 2018		118,769
October 2018		130,004
November 2018		118,013
December 2018		116,382
January 2019		112,525
February 2019		94,780
March 2019		108,290
April 2019		<u>108,500</u>
		<u>\$ 1,419,985</u>

The number of system users at the end of the fiscal year was 2,834.  
The average monthly billing per user was \$41.75.

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, 2019

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	7/12/2019	Louisiana Workers Comp. Corp.
Business Automobile	Auto Liability - \$500,000 Fire Vehicles - \$1,000,000	12/31/2019 10/4/2019	Atlantic Specialty Insurance VFIS
Law Enforcement Liability	\$1,000,000	12/31/2019	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	9/20/2019 9/20/2019 9/20/2019 9/20/2019 12/10/2019 4/11/2020 5/7/2020 6/13/2020 5/16/2019 5/16/2019	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	5/1/2019	Westchester Surplus Lines
Computer Coverage	\$23,460 - Servers/Video/Copiers	2/6/2020	Scottsdale Insurance Co.
Machinery Breakdown Policy	\$15,686,000 - Water & Sewer Plant Machinery / Water Pump Stations / Sewer Lift Stations	1/8/2020	Hartford
Health Benefit Plan	Group Care PPO	12/31/2019	BCBS of Louisiana
Equipment	\$126,880 - Daewoo Excavator	7/2/2019	Allianz Global
Equipment	\$75,000 - Backhoe/Mowers	11/7/2019	Lloyd's of London

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Eugene P. Foulcard, Mayor  
and Members of the City Council  
City of Franklin, Louisiana

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

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

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

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

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

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

- c) **Disbursements**, including processing, reviewing, and approving  
Written policies and procedures were obtained and address the functions noted above.
- d) **Receipts**, including receiving, recording, and preparing deposits  
Written policies and procedures were obtained and address the functions noted above.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.  
Written policies and procedures were obtained and address the functions noted above.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process  
Written policies and procedures were obtained and do not address the functions noted above.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage  
Written policies and procedures were obtained and do not address the functions noted above.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers  
Written policies and procedures were obtained and do not address the functions noted above.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.  
Written policies and procedures were obtained and address the functions noted above.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.  
Written policies and procedures were obtained and address the functions noted above.

***Board (or Finance Committee, if applicable)***

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No exceptions were noted during the fiscal year ended April 30, 2018 AUP engagement; therefore, this section was excluded from testing this fiscal year.

***Bank Reconciliations***

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3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account.

Obtained listing of client bank accounts from management and management's representation that listing is complete.

Observe that:

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

Obtained bank statements and reconciliations noting that reconciliations have been prepared within 2 months.

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

Obtained bank statements and reconciliations for the selected month in the fiscal period noting evidence of board member review.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Obtained bank statements and reconciliations for the selected month in the fiscal period noting management's documentation of research for items that have been outstanding for more than 12 months.

### ***Collections***

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No exceptions were noted during the fiscal year ended April 30, 2018 AUP engagement; therefore, this section was excluded from testing this fiscal year.

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

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No exceptions were noted during the fiscal year ended April 30, 2018 AUP engagement; therefore, this section was excluded from testing this fiscal year.

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

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

Listing of active credit cards, bank debit cards, fuel cards and name of person who maintains possession of cards and management's representation that the listing is complete was obtained.

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

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

Monthly statements were obtained and noted that statements were not approved in writing by someone other than the cardholder.

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

Monthly statements were obtained and finance charges were assessed.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

No exceptions noted.

#### ***Travel and Expense Reimbursement***

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No exceptions were noted during the fiscal year ended April 30, 2018 AUP engagement; therefore, this section was excluded from testing this fiscal year.

#### ***Contracts***

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No exceptions were noted during the fiscal year ended April 30, 2018 AUP engagement; therefore, this section was excluded from testing this fiscal year.

#### ***Payroll and Personnel***

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No exceptions were noted during the fiscal year ended April 30, 2018 AUP engagement; therefore, this section was excluded from testing this fiscal year.

#### ***Ethics (excluding nonprofits)***

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No exceptions were noted during the fiscal year ended April 30, 2018 AUP engagement; therefore, this section was excluded from testing this fiscal year.

#### ***Debt Service (excluding nonprofits)***

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No exceptions were noted during the fiscal year ended April 30, 2018 AUP engagement; therefore, this section was excluded from testing this fiscal year.

#### ***Other***

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No exceptions were noted during the fiscal year ended April 30, 2018 AUP engagement; therefore, this section was excluded from testing this fiscal year.

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

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

*Dannall, Sikes & Frederick*

A Corporation of Certified Public Accountants

Morgan City, Louisiana  
October 17, 2019

# City of Franklin

Louisiana

P.O. Box 567 • 300 Iberia Street, Franklin, La 70538

Phone: (337) 828-3631 • (337) 828-6310



Eugene P. Foulcard  
Mayor

## Independent Accountant's Report on Applying Agreed-Upon Procedures Management Response

### Written Policies and Procedures

1. f) Management plans to review and update to the City of Franklin's financial policies and procedures in the 2019-2020 fiscal year. Contracting, including (1) types of services requiring written contracts; (2) standard terms and conditions; (3) legal review; (4) approval process; and (5) monitoring process will be reviewed for inclusion in the revised policies and procedures.

1. g) Management plans to review and update to the City of Franklin's financial policies and procedures in the 2019-2020 fiscal year. Credit cards, including (1) how cards are to be controlled; (2) allowable business uses; (3) documentation requirements; (4) required approvers; and (5) monitoring card usage will be reviewed for inclusion in the revised policies and procedures.

1. h) Management plans to review and update to the City of Franklin's financial policies and procedures in the 2019-2020 fiscal year. Travel and expense reimbursement, including (1) allowable expenses; (2) dollar thresholds by category of expense; (3) documentation requirements; and (4) required approvers will be reviewed for inclusion in the revised policies and procedures.

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

12. a) Credit card policies and procedures including the review of monthly statements, will be enforced for compliance.

12. b) Credit card policies and procedures including assessment of finance charges, will be enforced for compliance.