

**City of Springhill  
Springhill, Louisiana**

**Financial Statements with Auditors' Report**

**As of and For the Year Ended June 30, 2019**

City of Springhill  
Springhill, Louisiana

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# COOK & MOREHART

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## Independent Auditors' Report

The Honorable W. Ray Huddleston, Mayor  
and Members of the City Council  
City of Springhill  
Springhill, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Springhill, Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Springhill's primary government, as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

The financial statements do not include financial data for the City of Springhill's aggregate discretely presented component units. Accounting principles generally accepted in the United States of America require the financial data for the component units to be reported with the financial data of the City's primary government unless the City of Springhill also issues financial statements for the financial reporting entity that include the financial data for its component units. The City of Springhill has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the government-wide financial statements has not been determined.

## **Adverse Opinion**

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Springhill, as of June 30, 2019 or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springhill as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 on pages 4 – 10, budgetary comparison information on pages 57 – 58, schedule of proportionate share of net pension liability on page 59, and schedule of contributions on page 60 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 of Springhill's basic financial statements. The accompanying other supplementary information listed in the table of contents and shown on pages 61 - 68 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the City of Springhill, Louisiana'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 of Springhill'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 of Springhill's internal control over financial reporting and compliance.



Cook & Morehart  
Certified Public Accountants  
December 18, 2019

## CITY OF SPRINGHILL

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Springhill's financial performance provides an overview of the City of Springhill's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements, which begin on page 11.

#### FINANCIAL HIGHLIGHTS

- The City of Springhill's net position of our governmental activities increased by \$818,950 or 7%.
- The City of Springhill's net position of our business-type activities decreased by \$906,222 or 6%.
- In the City's governmental activities, total general and program revenues were \$4,593,709 in 2019 compared to \$4,358,583 in 2018. Total expenses, excluding depreciation, totaled \$3,349,822 for the year ended June 30, 2019 compared to \$3,489,905 for 2018.
- In the City's business-type activities, revenues increased by \$86,424 or 4% due in large part to an increase in capital grants.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) provide information about the activities of the City of Springhill as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City of Springhill's operations in more detail than the government-wide statements by providing information about the City of Springhill's most significant funds.

#### Reporting the City of Springhill as a Whole

Our analysis of the City of Springhill as a whole begins on page 11. One of the most important questions asked about the City of Springhill's finances is "Is the City of Springhill as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the funds maintained by the City of Springhill as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City of Springhill's *net position* and changes in them. You can think of the City of Springhill's net position – the difference between assets and liabilities – as one way to measure the City of Springhill's financial health, or *financial position*. Over time, *increases* or *decreases*

in the City of Springhill's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities – Most of the City's basic services are reported here, including the police, public works, and general administration. Property taxes, franchise fees, sales taxes, and police department fines, and various other revenues finance most of these activities.

Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.

### **Reporting the City's Most Significant Funds**

Our analysis of the major funds maintained by the City of Springhill begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds maintained by the City of Springhill – not the City of Springhill as a whole. The City of Springhill's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

Governmental funds – Most of the City of Springhill's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City of Springhill's general government operations and the expenses paid from those funds. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain City of Springhill expenses. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## THE CITY OF SPRINGHILL AS A WHOLE

The City of Springhill's combined net position changed from a year ago, decreasing from \$25,862,418 to \$25,775,146. A comparative analysis of the funds maintained by the City of Springhill is presented below.

**Table 1**  
**Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 6,940,345	\$ 6,451,975	\$ 4,316,200	\$ 4,898,055	\$ 11,256,545	\$ 11,350,030
Capital assets	13,016,474	12,852,054	20,004,329	20,901,694	33,020,803	33,753,748
Total assets	<u>19,956,819</u>	<u>19,304,029</u>	<u>24,320,529</u>	<u>25,799,749</u>	<u>44,277,348</u>	<u>45,103,778</u>
Deferred Outflows of Resources						
Pension related	<u>811,203</u>	<u>742,727</u>	<u>203,774</u>	<u>237,387</u>	<u>1,014,977</u>	<u>980,114</u>
Current liabilities	384,326	251,247	271,975	321,121	656,301	572,368
Long-term liabilities	7,432,773	7,602,008	11,129,339	11,699,088	18,562,112	19,301,096
Total liabilities	<u>7,817,099</u>	<u>7,853,255</u>	<u>11,401,314</u>	<u>12,020,209</u>	<u>19,218,413</u>	<u>19,873,464</u>
Deferred Inflows of Resources						
Pension related	<u>263,211</u>	<u>324,739</u>	<u>35,555</u>	<u>23,271</u>	<u>298,766</u>	<u>348,010</u>
Net position:						
Net investment						
in capital assets	8,092,138	7,804,454	9,545,546	9,896,790	17,637,684	17,701,244
Restricted	4,668,814	4,311,221	581,535	706,055	5,250,349	5,017,276
Unrestricted	(73,240)	(246,913)	2,960,353	3,390,811	2,887,113	3,143,898
Total net position	<u>\$ 12,687,712</u>	<u>\$ 11,868,762</u>	<u>\$ 13,087,434</u>	<u>\$ 13,993,656</u>	<u>\$ 25,775,146</u>	<u>\$ 25,862,418</u>

Net position of the City of Springhill's governmental activities increased by \$818,950 or 7%. Net position of the City of Springhill's business-type activities decreased by \$906,222 or 6%.

**Table 2**  
**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
<b>Programs revenues</b>						
Charges for services	\$ 379,195	\$ 414,356	\$ 1,934,027	\$ 1,917,602	\$ 2,313,222	\$ 2,331,958
Operating grants and contributions	210,616	212,189			210,616	212,189
Capital grants and contributions	396,383	100,283	229,114	62,000	625,497	162,283
<b>General revenues</b>						
Ad valorem taxes	225,584	220,862			225,584	220,862
Sales taxes	2,475,544	2,458,814			2,475,544	2,458,814
Franchise taxes	146,577	157,377			146,577	157,377
Other taxes	6,361	7,157			6,361	7,157
License and permits	200,936	203,404			200,936	203,404
Gaming taxes	330,491	315,521			330,491	315,521
Oil and gas	26,507	20,680			26,507	20,680
Investment earnings	62,878	9,125	39,330	5,633	102,208	14,758
Miscellaneous	117,637	136,010			117,637	136,010
Insurance recoveries		102,505		125,587		
Sale of assets	15,000	300		5,225	15,000	
<b>Total Revenues</b>	<b>4,593,709</b>	<b>4,358,583</b>	<b>2,202,471</b>	<b>2,116,047</b>	<b>6,796,180</b>	<b>6,241,013</b>
<b>Expenses</b>						
General government	750,701	846,061			750,701	846,061
Public safety	1,370,762	1,421,498			1,370,762	1,421,498
Parks and recreation	148,195	147,607			148,195	147,607
Waste collection services	265,611	280,273			265,611	280,273
Streets	817,334	728,543			817,334	728,543
Airport	168,352	142,515			168,352	142,515
Transportation	46,414	49,738			46,414	49,738
Maintenance	130,379	191,817			130,379	191,817
Ward court	174,954	163,275			174,954	163,275
Driver's license bureau	5,676	15,326			5,676	15,326
Interest on long term debt	136,103	138,598			136,103	138,598
Water and sewer			2,688,719	2,576,402	2,688,719	2,576,402
Community activities			168,296	159,930	168,296	159,930
Cemetery			11,956	12,489	11,956	12,489
<b>Total expenses</b>	<b>4,014,481</b>	<b>4,125,251</b>	<b>2,868,971</b>	<b>2,748,821</b>	<b>6,883,452</b>	<b>6,874,072</b>
<b>Transfers</b>	<b>239,722</b>	<b>210,961</b>	<b>(239,722)</b>	<b>(210,961)</b>		
<b>Increase (decrease) in net position</b>	<b>\$ 818,950</b>	<b>\$ 478,573</b>	<b>\$ (906,222)</b>	<b>\$ (281,103)</b>	<b>\$ (87,272)</b>	<b>\$ (633,059)</b>

The City's total revenues increased \$555,167 or 9% due to an increase in grant revenue from the previous year. The total cost of all programs and services remained consistent from 2018 to 2019. Our analysis below separately considers the operations of the governmental and business-type activities.

## **Governmental Activities**

Total revenues for the governmental activities increased \$235,126 from total revenues in the year ended June 30, 2018 of \$4,358,583 to total revenues of \$4,593,709 in the year ended June 30, 2019.

The cost of all governmental activities this year was \$4,014,481. These costs were covered by \$986,194 of program revenues, with the remaining costs covered by property taxes, sales taxes, and other general revenues.

## **Business-type Activities**

Total revenues for the business-type activities decreased \$86,424 or 4% from total revenues in the year ended June 30, 2018 of \$2,116,047 to total revenues of \$2,202,471 in the year ended June 30, 2019.

The cost of all business-type activities this year was \$2,868,971. These costs were covered in part by \$2,163,141 of program revenues, consisting of charges for services assessed to users and capital grants.

## **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a *combined* fund balance of \$6,609,883, which is more than last year's fund balance of \$6,257,855. The primary reason for this increase is an increase in capital contributions as a result of an airport project.

### **General Fund Budgetary Highlights**

The City adopted a budget for its General Fund for the year ended June 30, 2019. There was one amendment to the budget during the year. The City's budgetary comparison is presented as required supplementary information and shown on page 57. Highlights for the year are as follows:

- Actual revenues exceeded budgeted amounts by \$461,688.
- Actual expenditures were less than budgeted amounts by \$248,366, due primarily to lower expenditures than anticipated for parks and recreation, streets, airport, and capital outlay.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 30, 2019 and 2018, the City of Springhill had invested \$33,020,803 and \$33,753,748, respectively in capital assets. (see table 3 below)

**Table 3**  
**Capital Assets At Year End**  
**(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 525,294	\$ 525,294	\$ 48,490	\$ 48,490	\$ 573,784	\$ 573,784
Construction in progress	207,385	86,500	323,852	125,577	531,237	212,077
Buildings	2,660,643	2,754,434	1,158,663	1,215,184	3,819,306	3,969,618
Infrastructure	8,491,508	8,711,385			8,491,508	8,711,385
Improvements other than buildings	769,364	440,526	5,453	4,988	774,817	445,514
Equipment	362,280	333,915	190,585	194,643	552,865	528,558
Vehicles			62,443	79,273	62,443	79,273
Sewer system			4,279,001	4,544,057	4,279,001	4,544,057
Water system			13,935,842	14,689,482	13,935,842	14,689,482
Total assets(net)	<u>\$ 13,016,474</u>	<u>\$12,852,054</u>	<u>\$ 20,004,329</u>	<u>\$20,901,694</u>	<u>\$ 33,020,803</u>	<u>\$ 33,753,748</u>

This years major additions included:

Construction in progress	207,385	198,275
Infrastructure	176,754	
Improvements other than buildings	364,336	
Equipment	80,604	36,210
Total	<u>\$ 829,079</u>	<u>\$ 234,485</u>

More detailed information about the capital assets are presented in Note 5 to the financial statements.

## Debt

At year-end, the City had \$18,575,729 in bonds, notes, and other long-term liabilities outstanding, versus \$19,316,389 last year – a decrease of 4%.

**Table 4**  
**Outstanding Debt At Year End**

	Governmental Activities		Business-type Activity		Totals	
	2019	2018	2019	2018	2019	2018
Net pension liability	\$2,630,825	\$2,543,992	\$ 687,377	\$ 713,410	\$ 3,318,202	\$ 3,257,402
Sales tax bonds	4,780,000	5,040,000			4,780,000	5,040,000
General obligation bonds			116,000	171,000	116,000	171,000
Compensated absences	26,288	24,379	9,277	8,930	35,565	33,309
Water revenue bonds			10,325,962	10,814,678	10,325,962	10,814,678
	<u>\$7,437,113</u>	<u>\$7,608,371</u>	<u>\$11,138,616</u>	<u>\$11,708,018</u>	<u>\$18,575,729</u>	<u>\$19,316,389</u>

State law restricts the amount of debt that the City of Springhill may issue. The aggregate principal amount of debt may not exceed 10% of the assessed valuation for property tax purposes of all real and personal property located within the parish. The City of Springhill's total debt outstanding at year-end was below this limitation.

More detailed information about the debt is presented in Note 9 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City of Springhill's management considered many factors when setting a fiscal year June 30, 2020 budget. Amounts available for appropriation in the governmental funds are expected to remain substantially the same.

Expenditures for 2020 are expected to remain substantially the same.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the City of Springhill and to show the City of Springhill's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mayor at City of Springhill, 101 Machen Dr.; Springhill, La 71075.

City of Springhill  
Springhill, Louisiana  
Statement of Net Position  
June 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,595,821	\$ 1,389,632	\$ 5,985,453
Restricted cash and cash equivalents	47,073	693,367	740,440
Investments	1,542,408	1,835,717	3,378,125
Restricted investments	305,039	60,000	365,039
Prepays	43,208	32,165	75,373
Receivables	354,680	297,127	651,807
Inventories	4,207	56,101	60,308
Internal balances	47,909	(47,909)	
Capital assets not being depreciated	732,679	372,342	1,105,021
Depreciable capital assets, net	12,283,795	19,631,987	31,915,782
<b>Total assets</b>	<u>19,956,819</u>	<u>24,320,529</u>	<u>44,277,348</u>
<b>Deferred Outflows of Resources</b>			
Pension related	811,203	203,774	1,014,977
<b>Liabilities</b>			
Accounts payable and accrued expenses	384,326	100,163	484,489
Payable from restricted assets:			
Customer deposits		171,812	171,812
Non-current liabilities:			
Due within one year	286,948	554,527	841,475
Due in more than one year	7,145,825	10,574,812	17,720,637
<b>Total liabilities</b>	<u>7,817,099</u>	<u>11,401,314</u>	<u>19,218,413</u>
<b>Deferred Inflows of Resources</b>			
Pension related	263,211	35,555	298,766
<b>Net Position</b>			
Net investment in capital assets	8,092,138	9,545,546	17,637,684
Restricted for:			
Debt service	251,174	581,535	832,709
Capital improvements	3,511,946		3,511,946
Sewer, water, garbage, public safety, parks and recreation, and streets	905,694		905,694
Unrestricted	(73,240)	2,960,353	2,887,113
<b>Total net position</b>	<u>\$ 12,687,712</u>	<u>\$ 13,087,434</u>	<u>\$ 25,775,146</u>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Statement of Activities  
For the Year Ended June 30, 2019

Functions / Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 750,701	\$ 11,424	\$ 21,803	\$	\$ (717,474)	\$	\$ (717,474)
Public safety	1,370,762	28,803	166,240	6,500	(1,169,219)		(1,169,219)
Parks and recreation	148,195	26,670			(121,525)		(121,525)
Waste collection services	265,611	295,848			30,237		30,237
Streets	817,334		7,360	5,332	(804,642)		(804,642)
Airport	168,352	7,650	9,213	384,551	233,062		233,062
Transportation	46,414				(46,414)		(46,414)
Maintenance	130,379				(130,379)		(130,379)
Ward court	174,954		6,000		(168,954)		(168,954)
Driver's license bureau	5,676	8,800			3,124		3,124
Interest on long-term debt	136,103				(136,103)		(136,103)
<b>Total governmental activities</b>	<b>4,014,481</b>	<b>379,195</b>	<b>210,616</b>	<b>396,383</b>	<b>(3,028,287)</b>		<b>(3,028,287)</b>
<b>Business-type Activities</b>							
Water and sewer	2,688,719	1,853,337		229,114		(606,268)	(606,268)
Community activities	168,296	49,995				(118,301)	(118,301)
Cemetery	11,956	30,695				18,739	18,739
<b>Total business-type activities</b>	<b>2,868,971</b>	<b>1,934,027</b>		<b>229,114</b>		<b>(705,830)</b>	<b>(705,830)</b>
<b>Total Government</b>	<b>\$ 6,883,452</b>	<b>\$ 2,313,222</b>	<b>\$ 210,616</b>	<b>\$ 625,497</b>	<b>(3,028,287)</b>	<b>(705,830)</b>	<b>(3,734,117)</b>
<b>General revenues:</b>							
Ad valorem taxes					225,584		225,584
Sales taxes					2,475,544		2,475,544
Franchise taxes					146,577		146,577
Other taxes					6,361		6,361
Licenses and permits					200,936		200,936
Gaming taxes					330,491		330,491
Oil and gas					26,507		26,507
Investment earnings					62,878	39,330	102,208
Miscellaneous					117,637		117,637
Sale of assets					15,000		15,000
Transfers					239,722	(239,722)	
<b>Total general revenues and transfers</b>					<b>3,847,237</b>	<b>(200,392)</b>	<b>3,646,845</b>
<b>Change in net position</b>					<b>818,950</b>	<b>(906,222)</b>	<b>(87,272)</b>
<b>Net position - beginning</b>					<b>11,868,762</b>	<b>13,993,656</b>	<b>25,862,418</b>
<b>Net position - ending</b>					<b>\$ 12,687,712</b>	<b>\$ 13,087,434</b>	<b>\$ 25,775,146</b>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Balance Sheet  
Governmental Funds  
June 30, 2019

	General Fund	Sales Tax	Other Governmental Funds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 773,326	\$ 3,822,495	\$	\$ 4,595,821
Restricted cash and cash equivalents	47,073			47,073
Investments	1,142,408	400,000		1,542,408
Restricted investments			305,039	305,039
Accounts receivable	156,764	197,916		354,680
Inventory	4,207			4,207
Prepaid	43,208			43,208
Due from other funds	47,909			47,909
Total assets	<u>\$ 2,214,895</u>	<u>\$ 4,420,411</u>	<u>\$ 305,039</u>	<u>\$ 6,940,345</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 311,689	\$ 2,771	\$	\$ 314,460
Bond due to city court	16,002			16,002
Total liabilities	<u>327,691</u>	<u>2,771</u>		<u>330,462</u>
<b>Fund balances:</b>				
Non spendable	47,415			47,415
Restricted		4,417,640	305,039	4,722,679
Assigned	517,541			517,541
Unassigned	1,322,248			1,322,248
Total fund balances	<u>1,887,204</u>	<u>4,417,640</u>	<u>305,039</u>	<u>6,609,883</u>
Total liabilities and fund balances	<u>\$ 2,214,895</u>	<u>\$ 4,420,411</u>	<u>\$ 305,039</u>	<u>\$ 6,940,345</u>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2019

Fund balances - total governmental funds	\$	6,609,883
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		13,016,474
<p>Other long-term assets and other amounts are not available to pay for current-period expenditures and therefore are unavailable in the funds.</p>		
Deferred outflows - pension related		811,203
<p>Long-term liabilities and other amounts are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable		(4,780,000)
Accrued interest		(53,864)
Compensated absences		(21,948)
Net pension liability		(2,630,825)
Deferred inflows - pension related		(263,211)
		(2,630,825)
Net position of governmental activities	\$	12,687,712

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2019

	General Fund	Sales Tax	Other Governmental Funds	Totals
<b>Revenues:</b>				
Ad valorem taxes	\$ 225,584	\$	\$	\$ 225,584
Sales tax		2,475,544		2,475,544
Franchise taxes	146,577			146,577
Other taxes	6,361			6,361
Licenses and permits	200,936			200,936
Waste collection services	295,848			295,848
Gaming taxes	330,491			330,491
Intergovernmental revenues	161,189			161,189
Fines and forfeitures	28,803			28,803
Investment earnings	24,850	34,875	3,153	62,878
Rental of facilities	28,174			28,174
Oil and gas	26,507			26,507
Miscellaneous	144,007			144,007
Total revenues	<u>1,619,327</u>	<u>2,510,419</u>	<u>3,153</u>	<u>4,132,899</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	935,771	35,821		971,592
Public safety	1,370,314			1,370,314
Parks and recreation	102,643			102,643
Streets	438,921			438,921
Airport	22,608			22,608
Ward court	169,042			169,042
Transportation	43,878			43,878
Maintenance	78,856			78,856
Driver license bureau	5,676			5,676
Capital outlay	822,579			822,579
<b>Debt service:</b>				
Principal retirement			260,000	260,000
Interest and other charges			139,367	139,367
Total expenditures	<u>3,990,288</u>	<u>35,821</u>	<u>399,367</u>	<u>4,425,476</u>
Excess (deficiency) of revenues over expenditures	(2,370,961)	2,474,598	(396,214)	(292,577)
<b>Other financing sources (uses):</b>				
Sales of assets	15,000			15,000
Capital contributions	389,883			389,883
Transfers in	2,022,146		402,790	2,424,936
Transfers out	(58,370)	(2,126,844)		(2,185,214)
Total other financing sources (uses)	<u>2,368,659</u>	<u>(2,126,844)</u>	<u>402,790</u>	<u>644,605</u>
Net change in fund balance	(2,302)	347,754	6,576	352,028
Fund balances at beginning of year	<u>1,889,506</u>	<u>4,069,886</u>	<u>298,463</u>	<u>6,257,855</u>
Fund balances at end of year	<u>\$ 1,887,204</u>	<u>\$ 4,417,640</u>	<u>\$ 305,039</u>	<u>\$ 6,609,883</u>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 352,028

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 capital outlays (\$822,579) exceeded depreciation (\$664,659) in the current period. 157,920

The net effect of various transactions involving capital assets (sales, trade-ins, donated infrastructure, etc.) is to decrease net position. 6,500

The repayment of principal of long-term debt consumes current financial resources of governmental funds. 260,000

Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the Statement of Activities

Non-employer contributions to cost-sharing pension plan 49,428

Accrued interest expense on long-term debt is reported in the government-wide Statement of Activities, but does not require the use of financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. 3,263

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Compensated absences (3,932)

Pension expense (6,257)

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Change in net position of governmental activities \$ 818,950

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Statement of Net Position  
Proprietary Funds  
June 30, 2019

	<u>Business-type Activities - Enterprise Funds</u>		
	Water and Sewer Fund	Other Enterprise Funds	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,062,073	\$ 327,559	\$ 1,389,632
Restricted cash and cash equivalents	111,812		111,812
Investments	1,835,717		1,835,717
Restricted investments	60,000		60,000
Accounts receivable	283,049	14,078	297,127
Inventories		56,101	56,101
Prepays	32,165		32,165
Due from other funds		44	44
Total current assets	3,384,816	397,782	3,782,598
Noncurrent assets:			
Restricted cash and cash equivalents	581,555		581,555
Capital assets:			
Land	48,490		48,490
Construction in progress	323,852		323,852
Plant and equipment	30,737,025	2,619,633	33,356,658
Less: accumulated depreciation	(12,334,179)	(1,390,492)	(13,724,671)
Total noncurrent assets	19,356,743	1,229,141	20,585,884
Total assets	22,741,559	1,626,923	24,368,482
Deferred Outflows of Resources			
Pension related	203,774		203,774
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued expenses	69,039	7,858	76,897
Due to other funds	44,292	3,661	47,953
Payable from restricted assets:			
Revenue bonds	496,527		496,527
General obligation bonds	58,000		58,000
Accrued interest	23,266		23,266
Customer deposits	171,812		171,812
Total current liabilities	862,936	11,519	874,455
Noncurrent liabilities:			
Net pension liability	687,377		687,377
Revenue bonds	9,829,435		9,829,435
General obligation bonds	58,000		58,000
Total noncurrent liabilities	10,574,812		10,574,812
Total liabilities	11,437,748	11,519	11,449,267
Deferred Inflows of Resources			
Pension related	35,555		35,555
<b>Net position</b>			
Net investment in capital assets	8,316,405	1,229,141	9,545,546
Restricted for:			
Debt service	581,535		581,535
Unrestricted	2,574,090	386,263	2,960,353
Total net position	\$ 11,472,030	\$ 1,615,404	\$ 13,087,434

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2019

	<u>Business-type Activities - Enterprise Funds</u>		Totals
	Water and Sewer Fund	Other Enterprise Funds	
Operating revenues:			
Charges for service -			
Water sales	\$ 987,078	\$	\$ 987,078
Sewerage service charges	787,668		787,668
Cemetery assessments		24,895	24,895
Other charges and fees	78,591	1,950	80,541
Sale of cemetery lots		3,850	3,850
Rental of facilities		49,995	49,995
Total operating revenues	<u>1,853,337</u>	<u>80,690</u>	<u>1,934,027</u>
Operating expenses:			
Cost of sales and service		1,150	1,150
Water services	689,827		689,827
Sewer services	568,936		568,936
Community activities		97,086	97,086
Cemetery maintenance		1,002	1,002
General and administrative	67,247	8,895	76,142
Depreciation	1,060,640	72,119	1,132,759
Total operating expenses	<u>2,386,650</u>	<u>180,252</u>	<u>2,566,902</u>
Operating income (loss)	<u>(533,313)</u>	<u>(99,562)</u>	<u>(632,875)</u>
Non-operating revenues (expenses):			
Interest income	38,806	524	39,330
Interest expense	(302,069)		(302,069)
Total non-operating revenues (expenses)	<u>(263,263)</u>	<u>524</u>	<u>(262,739)</u>
Net income (loss) before other financing sources and (uses)	(796,576)	(99,038)	(895,614)
Other financing sources (uses):			
Capital contributions	229,114		229,114
Transfers in	58,370	35,800	94,170
Transfers out	(315,800)	(18,092)	(333,892)
Total other financing sources (uses)	<u>(28,316)</u>	<u>17,708</u>	<u>(10,608)</u>
Change in net position	(824,892)	(81,330)	(906,222)
Net position - beginning of year	<u>12,296,922</u>	<u>1,696,734</u>	<u>13,993,656</u>
Net position - end of year	<u>\$ 11,472,030</u>	<u>\$ 1,615,404</u>	<u>\$ 13,087,434</u>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2019

	Water and Sewer	Non Major Funds	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 1,737,548	\$ 28,279	\$ 1,765,827
Other receipts	78,591	50,866	129,457
Cash payments to suppliers for goods and services	(906,611)	(113,165)	(1,019,776)
Cash payments to employees for services	(443,128)		(443,128)
Net Cash From (Used By) Operating Activities	<u>466,400</u>	<u>(34,020)</u>	<u>432,380</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Interfund loans	10,505	(983)	9,522
Transfers from other funds	58,370	35,800	94,170
Transfers to other funds	(315,800)	(18,092)	(333,892)
Net Cash From (Used By) Noncapital Financing Activities	<u>(246,925)</u>	<u>16,725</u>	<u>(230,200)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Capital Contributions	229,114		229,114
Acquisition/construction of capital assets	(234,410)		(234,410)
Principal paid on capital debt	(543,716)		(543,716)
Interest paid on capital debt	(303,770)		(303,770)
Net Cash (Used By) Capital and Related Financing Activities	<u>(852,782)</u>		<u>(852,782)</u>
<b>Cash Flow From Investing Activities</b>			
Interest income	38,806	524	39,330
Purchase of investments	(1,696,864)		(1,696,864)
Net Cash From (Used By) Investing Activities	<u>(1,658,058)</u>	<u>524</u>	<u>(1,657,534)</u>
Net increase (decrease) in cash and cash equivalents	(2,291,365)	(16,771)	(2,308,136)
Cash, Beginning of year	<u>4,046,805</u>	<u>344,330</u>	<u>4,391,135</u>
Cash, End of year	<u>\$ 1,755,440</u>	<u>\$ 327,559</u>	<u>\$ 2,082,999</u>
Cash and cash equivalents are reflected on the Statement of Net Position as follows:			
Cash and cash equivalents	\$ 1,062,073	\$ 327,559	\$ 1,389,632
Cash and cash equivalents - restricted	693,367		693,367
Total	<u>\$ 1,755,440</u>	<u>\$ 327,559</u>	<u>\$ 2,082,999</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By/(Used In) Operating Activities</b>			
Operating income (loss)	\$ (533,313)	\$ (99,562)	\$ (632,875)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation expense	1,060,640	72,119	1,132,759
Accounts receivable	(37,468)	(2,416)	(39,884)
Prepaid expenses	(4,254)	195	(4,059)
Inventories		871	871
Accounts payable	(39,231)	(5,227)	(44,458)
Customer deposits	270		270
Pension related	19,756		19,756
Net Cash Flows From Operating Activities	<u>\$ 466,400</u>	<u>\$ (34,020)</u>	<u>\$ 432,380</u>
<b>Noncash Capital Financing Activities:</b>			
Acquisition of property			
Acquisition/construction of capital assets	\$ 234,485	\$	\$ 234,485
Vendor payable for property and equipment	(75)		(75)
Cash used to acquire/construct capital assets	<u>\$ 234,410</u>	<u>\$</u>	<u>\$ 234,410</u>

See accompanying notes to the basic financial statements.

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019

## INTRODUCTION

The City of Springhill is incorporated under the provisions of the Lawrason Act. The City operates under a Mayor–Board of Aldermen form of government. Elected officials of the City consist of the mayor, five (5) aldermen, and the chief of police, who are elected to four-year terms. The affairs of the City are conducted and managed by the mayor and the board of aldermen.

### (1) Summary of Significant Accounting Policies

The City of Springhill's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City of Springhill are discussed below.

#### A. Reporting Entity

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

GASB established criteria for determining which component units should be considered part of the City of Springhill for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

In addition, the GASB states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

Based on the criteria described above, the following were determined to be component units of the City: Springhill City Court and Ward 2 Marshal.

Complete financial statements of the individual component units may be obtained from their respective administration offices or from the City of Springhill.

The City has chosen to issue financial statements of the primary government (City) only; therefore, the previously listed component units are not included in the accompanying financial statements.

The Governmental Accounting Standards Board provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, the primary government's (City) financial statements are not a substitute for the reporting entity's financial statements. The accompanying primary government financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. These financial statements are not intended to and do not report on the reporting entity but rather are intended to reflect only the financial statements of the primary government (City).

**B. Basic Financial Statements – Government-Wide Statements**

The City of Springhill's basic financial statements include both government-wide (reporting the funds maintained by the City of Springhill as a whole) and fund financial statements (reporting the City of Springhill's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general fund, sales tax fund, and debt service funds are classified as governmental activities. The City's water and sewer services, cemetery fund, and community activities fund are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The City of Springhill's net position is reported in three parts – net invested in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the City of Springhill's functions. The functions are also supported by general government revenues

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

(property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants.

Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water and sewer services.

The net costs (by function) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City of Springhill as an entity and the change in the City of Springhill's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City of Springhill are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City of Springhill:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City of Springhill:
  - a. General fund is the general operating fund of the City of Springhill. It is used to account for all financial resources except those required to be accounted for in another fund.
  - b. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City sales tax fund is classified as a special revenue fund.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

- c. Debt service funds are used to account for all financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The City's 2014 sales tax bonds, 2015 sales tax bonds, and 2016 sales tax bonds funds are considered debt service funds.
  - d. Capital projects fund is used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City of Springhill:
- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City's water/sewer fund, cemetery fund, and community activities fund are classified as enterprise funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

General fund – accounts for all financial resources except those required to be accounted for in another fund.

Sales tax fund – accounts for the proceeds of a 2 1/2 % sales and use tax that is legally restricted for the purposes of constructing, acquiring, extending, improving, operating, and maintaining sewers and sewerage disposal works, waterworks, garbage collection and waste disposal facilities, fire department stations and related facilities, public parks and recreational facilities, streets, alleys, sidewalks and bridges, purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, building improvements and facilities, title to which improvements shall be in the public, the payment of salaries on non-elected municipal employees, police department stations and related facilities, roads, streets and bridges, and other capital improvements for the City, and to the retirement of public improvement bonds, the proceeds of which were used for construction of sewer improvements, or for any one or more of said purposes.

Water and sewer fund – accounts for the provision of water and sewerage services to the residents of the City.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Budgets

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

1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to June 30, the budget is legally enacted through the passage of an ordinance.
2. Budgets are adopted on a line item basis. Administrative adjustments can be made on a departmental basis between line item accounts only. Inter-departmental amendments, interfund amendments, and additional appropriations from one fund to another are subject to board approval. The overall level of control is on an inter-departmental basis.
3. Unused appropriations of all of the annually budgeted funds lapse at the end of the fiscal year.
4. Budgets for all funds are adopted on a basis consistent with GAAP. Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen. There was one amendment to the budget during the year.

(Continued)

City of Springhill  
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Notes to Financial Statements  
June 30, 2019  
(Continued)

F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the City may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the City's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$1 for land, \$1,000 for vehicles, \$5,000 for equipment, \$10,000 for buildings and improvements, and \$25,000 for infrastructure are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at acquisition value. The City elected not to report major general infrastructure assets retroactively. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Governmental activities:	
Land improvements	20-30 years
Buildings and improvements	7-40 years
Vehicles	5 years
Machinery and equipment	5 years
Business-type activities/enterprise fund:	
Buildings	25 years
Systems and improvements	20-50 years
Machinery and equipment	10-20 years
Vehicles	5 years
Roads	20-50 years

H. Inventory

Inventories in the governmental funds consist of aviation fuel which is valued at cost on a first-in, first out basis. Inventories in the proprietary funds consist primarily of cemetery plots which are valued at cost on a specific identification basis.

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City of Springhill  
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Notes to Financial Statements  
June 30, 2019  
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I. Revenues

Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. State law requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. Sales tax revenues and gaming revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the City is entitled to the funds.

J. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Fund Balance

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
2. Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balances include amounts that can be used only for the specific purposes as a result of constraints imposed by the board of alderman (the City's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of aldermen remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

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City of Springhill  
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Notes to Financial Statements  
June 30, 2019  
(Continued)

5. Unassigned fund balance are the residual classification for the City's general fund and include all spendable amounts not contained in the other classifications.

The City's policy is to apply expenditures against nonspendable fund balances, restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, in that order.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

L. Sales Taxes

On March 30, 1968, the citizens of the City of Springhill approved the assessment of a 1% sales and use tax. Proceeds of this 1% sales and use tax are dedicated to the following purposes: constructing, acquiring, extending, improving, operating, and maintaining sewers and sewerage disposal works, waterworks, garbage collection and waste disposal facilities, fire department stations and related facilities, public parks and recreational facilities, streets, alleys, sidewalks and bridges, purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid public works, building improvements and facilities, title to which improvements shall be in the public; and for the payment of salaries on non-elected municipal employees; or for any one or more of said purposes.

On November 21, 1987, the citizens of the City of Springhill approved the assessment of a 1/2% sales and use tax. Proceeds of this 1/2% sales and use tax are dedicated to the following purposes: constructing, acquiring, extending, improving, operating, and maintaining fire department stations and related facilities, police department stations and related facilities, and public parks and recreational facilities, purchasing and acquiring the necessary land, equipment and furnishings for the aforesaid buildings, improvements and facilities; and for the payment of salaries on non-elected municipal employees; or for any one or more of said purposes.

In November 1991, the citizens of the City of Springhill approved the assessment of an additional 1% sales and use tax. Proceeds of the 1% sales and use tax are dedicated to the following purposes: acquiring, constructing, extending, improving, maintaining and operating sewer and sewerage disposal facilities, roads, streets and bridges, and other capital improvements for the City, and to the retirement of public improvement bonds, the proceeds of which were used for construction of sewer improvements.

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City of Springhill  
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Notes to Financial Statements  
June 30, 2019  
(Continued)

M. Compensated Absences

Compensated vacation time is calculated based on the individual employee's anniversary date. Employees must use their vacation time within one year of their anniversary date or it is forfeited. Vacation time is vested and is paid to an employee upon termination.

Sick pay does not vest with the employee (i.e. is not paid upon termination) and is recognized as an expense by the City when actually used by an employee.

There was a total of \$35,565 of accumulated unpaid vacation as of June 30, 2019. The full liability and related costs are reported in the government-wide financial statements. The accumulated unpaid vacation is a reconciling item between the governmental funds and government-wide statements.

N. Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

O. Use of Estimates

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 reported revenues and expenses. Actual results could differ from those estimates.

P. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(Continued)

City of Springhill  
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Notes to Financial Statements  
June 30, 2019  
(Continued)

Q. Bad Debts

Uncollectible amounts due for ad valorem taxes, customer's utility receivables, and special assessments are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. Accounts receivable for the water and sewer fund is shown net of an allowance of \$30,000.

R. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

S. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has deferred outflows of resources related to pensions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has deferred inflows of resources related to pensions.

T. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the governmental fund and government-wide financial statements.

U. Pension Plan

The City is a participating employer in a cost-sharing, multiple-employer, defined benefit pension plan as described in Note 14. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions for the plans fiduciary net position have been determined on the same basis as they are reported by the plan.

(Continued)

City of Springhill  
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Notes to Financial Statements  
June 30, 2019  
(Continued)

V. Fair Value Measurements

Generally accepted accounting principles require disclosure to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs – The valuation is based on quoted market prices for identical assets or liabilities traded in active markets;

Level 2 inputs – The valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability;

Level 3 inputs – The valuation is determined by using the best information available under the circumstances and might include the government's own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on lowest level of any input that is significant to the fair value measurement.

(2) Ad Valorem Taxes

The following is a summary of authorized and levied ad valorem taxes for the year:

	Authorized Millage	Levied Millage	Expiration Date
General Fund	7.73	7.73	Statutory
Bond Fund	2.90	2.90	2024

Approximately 25% of the City's ad valorem taxes are derived from 10 taxpayers.

(3) Cash, Cash Equivalents, and Investments

At June 30, 2019, the City has cash, cash equivalents, and investments (book balances) totaling \$10,469,057, as detailed below.

A. Cash and Cash Equivalents

At June 30, 2019, the City has cash and cash equivalents (book balances) totaling \$6,725,893 of which \$740,440 is shown as restricted. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

(Continued)

City of Springhill  
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Notes to Financial Statements  
June 30, 2019  
(Continued)

B. Investments

At June 30, 2019, the City has investments totaling \$3,743,164, of which \$365,039 is shown as restricted.

The investments are presented in the financial statements at fair value using level 2 fair value measurements. Investments at June 30, 2019, consisted of certificates of deposit totaling \$582,815 with maturities greater than 90 days. The certificates of deposit are carried at cost, which approximates market.

Also included in investments at June 30, 2019, are \$305,039 held in money market trust funds invested in U.S. government securities.

At June 30, 2019, the City has investments that consist of investments in Louisiana Asset Management Pool (LAMP) totaling \$2,855,310.

The Louisiana Asset Management Pool (LAMP) is a local government investment pool. In accordance with GASB codification section 150.126, the investment in LAMP at the Bossier Parish Assessor is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The following facts are relevant for LAMP:

Credit risk: LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

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City of Springhill  
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Notes to Financial Statements  
June 30, 2019  
(Continued)

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments.

Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2019, \$6,887,650 of the City's bank balances was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's  
trust department not in City's name:

Cash and cash equivalents	\$ 6,554,835
Investments	<u>332,815</u>
	<u>\$ 6,887,650</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

D. Restricted Cash and Investments

Restricted cash and investments at June 30, 2019, consisted of amounts received but not yet expended for the following purposes:

(Continued)

City of Springhill  
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Notes to Financial Statements  
June 30, 2019  
(Continued)

Governmental Activities –	
Restricted cash	
Debt service	\$ 47,073
Total – governmental activities	<u>\$ 47,073</u>
Restricted investments	
Debt service	\$ 305,039
Total – governmental activities	<u>\$ 305,039</u>
Business-type activities –	
Restricted cash	
Customer deposits	\$ 111,812
Debt service	<u>581,555</u>
Total restricted cash	
business-type activities	<u>\$ 693,367</u>
Restricted investments	
Customer deposits	\$ 60,000
Total restricted investment	
business-type activities	<u>\$ 60,000</u>

(4) Receivables

The following is a summary of receivables at June 30, 2019:

<u>Class of Receivable</u>	
Governmental activities –	
Ad valorem	\$ 4,896
Grants	56,972
Sales taxes	197,916
Gaming taxes	50,690
Other	11,758
Franchise taxes	<u>32,448</u>
Total governmental activities	<u>\$ 354,680</u>
Business-type activities –	
Water and sewer charges	\$ 245,721
Cemetery assessments	12,634
Lot sales	1,444
Grants	37,074
Other	<u>254</u>
Total business-type activities	<u>\$ 297,127</u>

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

(5) Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance at July 1, 2018	Additions	Deletions	Transfers	Balance at June 30, 2019
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Construction in progress	\$ 86,500	\$ 207,385	\$	\$ (86,500)	\$ 207,385
Land	525,294				525,294
Total capital assets, not being depreciated	611,794	207,385		(86,500)	732,679
Capital assets, being depreciated:					
Buildings	3,759,170				3,759,170
Infrastructure	11,504,169	176,754		86,500	11,767,423
Improvements other than buildings	576,563	364,336			940,899
Equipment	1,526,436	80,604			1,607,040
Total capital assets, being depreciated, at historical cost	17,366,338	621,694		86,500	18,074,532
Less accumulated depreciation:					
Buildings	(1,004,736)	(93,791)			(1,098,527)
Infrastructure	(2,792,784)	(483,131)			(3,275,915)
Improvements other than buildings	(136,037)	(35,498)			(171,535)
Equipment	(1,192,521)	(52,239)			(1,244,760)
Total accumulated depreciation	(5,126,078)	(664,659)			(5,790,737)
Total capital assets, being depreciated, net	12,240,260	(42,965)		86,500	12,283,795
Governmental activities capital assets, net	\$ 12,852,054	\$ 164,420	\$	\$	\$ 13,016,474

City of Springhill  
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Notes to Financial Statements  
June 30, 2019  
(Continued)

	Balance at July 1, 2018	Additions	Deletions	Transfers	Balance at June 30, 2019
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 48,490	\$	\$	\$	\$ 48,490
Construction in progress	125,577	198,275			323,852
Total capital assets, not being depreciated, at historical cost	<u>174,067</u>	<u>198,275</u>			<u>372,342</u>
Capital assets, being depreciated:					
Buildings	2,253,361				2,253,361
Improvements other than buildings	57,997				57,997
Furniture and fixtures	118,322				118,322
Equipment	548,544	36,210			584,754
Vehicles	253,461				253,461
Water plant	20,167,695				20,167,695
Sewer plant	9,921,068				9,921,068
Total capital assets, being depreciated, at historical cost	<u>33,320,448</u>	<u>36,210</u>			<u>33,356,658</u>
Less accumulated depreciation:					
Buildings	(1,038,177)	(56,521)			(1,094,698)
Improvements other than buildings	(52,128)	(416)			(52,544)
Furniture and fixtures	(118,322)				(118,322)
Equipment	(354,782)	(39,387)			(394,169)
Vehicles	(174,188)	(16,830)			(191,018)
Water plant	(5,478,213)	(753,640)			(6,231,853)
Sewer plant	(5,377,011)	(265,056)			(5,642,067)
Total accumulated depreciation	<u>(12,592,821)</u>	<u>(1,131,850)</u>			<u>(13,724,671)</u>
Total capital assets, being depreciated, net	<u>20,727,627</u>	<u>(1,095,640)</u>			<u>19,631,987</u>
Business-type activities capital assets, net	<u>\$ 20,901,694</u>	<u>\$ (897,365)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 20,004,329</u>

Depreciation expense was charged to governmental and business-type activities as follows:

	Governmental Activities	Business-type Activities
General Government	\$ 24,319	\$
Public safety	39,616	
Parks and recreation	45,552	
Streets	362,756	
Airport	145,744	
Maintenance	46,672	
General and administrative		909
Community activities		71,210
Water		778,261
Sewer		281,470
Total	<u>\$ 664,659</u>	<u>\$ 1,131,850</u>

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2019 consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 278,343	\$ 64,770	\$ 343,113
Compensated absences	4,340	9,277	13,617
Salaries and benefits	31,777	2,850	34,627
Bonds due to city court	<u>16,002</u>	<u>          </u>	<u>16,002</u>
Total – fund statements	330,462	76,897	407,359
Accrued interest	<u>53,864</u>	<u>23,266</u>	<u>77,130</u>
Total –government-wide Statements	<u>\$ 384,326</u>	<u>\$ 100,163</u>	<u>\$ 484,489</u>

(7) Customers' Deposits

Deposits held for customers that are currently active on the water and sewer systems total \$171,812 at June 30, 2019.

(8) Operating Leases

The City leased copiers under operating leases. The rental costs paid on these leases for the year ended June 30, 2019 were \$6,798.

The minimum annual commitments under non-cancelable operating leases are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 6,489
2021	6,489
2022	6,489
2023	<u>1,306</u>
Total	<u>\$ 20,773</u>

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

(9) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Notes from direct placement:					
Sales Tax Revenue Bonds:					
Series 2014	\$ 2,825,000	\$	\$( 130,000)	\$2,695,000	\$ 135,000
Series 2015	1,665,000		( 75,000)	1,590,000	75,000
Series 2016	550,000		( 55,000)	495,000	55,000
Other long-term					
Liabilities –					
Net pension					
liability - MERS	1,502,147		( 54,814)	1,447,333	
Net pension					
liability – MPERS	1,041,845	141,647		1,183,492	
Compensated absences	<u>24,379</u>	<u>1,909</u>		<u>26,288</u>	<u>26,288</u>
	<u>\$ 7,608,371</u>	<u>\$ 143,556</u>	<u>\$( 314,814)</u>	7,437,113	291,288
Less current portion				<u>( 4,340)</u>	<u>( 4,340)</u>
Total long-term liabilities, governmental activities				<u>\$ 7,432,773</u>	<u>\$ 286,948</u>

(Continued)

City of Springhill  
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Notes to Financial Statements  
June 30, 2019  
(Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-type activities:					
Notes from direct placement:					
General Obligation Bonds, Series 2015	\$ 171,000	\$	\$( 55,000)	\$ 116,000	\$ 58,000
Water Revenue Bonds Series 2012	5,929,678		( 93,716)	5,835,962	96,527
Water Revenue Bonds Series 2016	4,885,000		( 395,000)	4,490,000	400,000
Other long-term liabilities					
Net pension Liability-MERS	713,410		( 26,033)	687,377	
Compensated Absences	<u>8,930</u>	<u>347</u>	<u></u>	<u>9,277</u>	<u>9,277</u>
	<u>\$11,708,018</u>	<u>\$ 347</u>	<u>\$( 569,749)</u>	11,138,616	563,804
Less current portion				<u>( 9,277)</u>	<u>( 9,277)</u>
Total Business-type Activities				<u>\$11,129,339</u>	<u>\$ 554,527</u>

Governmental activities sales tax bonds consist of the following issues:

Sales Tax Revenue Bonds:

Series 2014, original amount \$3,200,000 dated August 6, 2014. Due in annual installments of principal and semi-annual installments of interest through August 2034; interest at 2.825%. Payable from sales tax funds.	<u>\$ 2,695,000</u>
Series 2015, original amount \$1,800,000 dated June 25, 2015. Due in annual installments of principal and semi-annual installments of interest through August 2035; interest at 2.705%. Payable from sales tax funds.	<u>\$ 1,590,000</u>
Series 2016, original amount \$600,000 dated June 15, 2016. Due in annual installments of principal and semi-annual installments of interest through August 2026; interest at 2.3701%. Payable from sales tax funds.	<u>\$ 495,000</u>

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Business-type activities general obligation and utility revenue bonds consist of the following issues:

General Obligation:

Series 2015 Refunding Bonds, original amount \$330,000 dated February 2, 2015. Due in annual installments of principal and semi-annual installments of interest through March 2021; Interest rate of .75% to 2.25%. Secured by levy and collection of ad valorem taxes.

\$ 116,000

Utility revenue bonds:

Series 2012, original amount \$6,109,000 dated February 2015. Due in annual installments of principal and semi-annual installments of interest through June 2054; interest at 3.0%. Secured by pledge of net revenues of the water system.

\$ 5,835,962

Series 2016 original amount 5,495,000 dated November 22, 2016. Due in annual installments of principal and semi-annual installments of interest through June 2029; interest at 2.25%-3.125%. Secured by pledge of net revenues of the water system

\$ 4,490,000

Payments on sales tax revenue bonds are made from the Sales Tax Bond funds. Sales Tax Revenue Bonds Series 2014, 2015, and 2016 are secured by pledge of one percent sales tax approved by voters on November 16, 1991. Payments on utility revenue bonds and general obligation are made from the Water and Sewer fund. Compensated absences liability will be liquidated through the General fund and Water and sewer fund.

Debt service requirements at June 30, 2019, were as follows:

Governmental Activities – Sales Tax Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 265,000	\$ 127,292
2021	275,000	120,016
2022	285,000	112,473
2023	285,000	104,791
2024	300,000	96,912
2025-2029	1,470,000	361,456
2030-2034	1,470,000	163,721
2035-2039	430,000	9,049
	<u>\$ 4,780,000</u>	<u>\$ 1,095,710</u>

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Business-type Activities – General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 58,000	\$ 2,407
2021	58,000	1,304
	<u>\$ 116,000</u>	<u>\$ 3,711</u>

Business-type Activities – Utility Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 496,527	\$ 288,966
2021	509,423	277,071
2022	522,406	264,863
2023	535,478	252,341
2024	548,642	239,501
2025-2029	2,984,100	979,780
2030-2034	688,724	669,306
2035-2039	798,420	559,610
2040-2044	925,588	432,442
2045-2049	1,073,010	285,020
2050-2054	1,243,644	114,117
	<u>\$10,325,962</u>	<u>\$ 4,363,017</u>

(10) Other Postemployment Benefits

The City provides no other postemployment benefits to its employees.

(11) Risk Management

The City purchases commercial insurance to provide workers compensation coverage and general liability and property insurance. There were no significant reductions in insurance coverage from the previous year.

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(12) Interfund Balances

Interfund balances at June 30, 2019 consisted of the following:

	<u>Due From Other Fund</u>	<u>Due To Other Fund</u>	<u>Net</u>
<b>Governmental Funds:</b>			
General fund	\$ 47,909	\$ _____	\$ 47,909
Total Governmental Funds	<u>47,909</u>	<u>                    </u>	<u>47,909</u>
<b>Enterprise Funds:</b>			
Major fund			
Water and Sewer		( 44,292)	( 44,292)
Non-major funds	<u>44</u>	<u>( 3,661)</u>	<u>( 3,617)</u>
Total Enterprise Funds	<u>44</u>	<u>( 47,953)</u>	<u>( 47,909)</u>
<b>Total</b>	<u>\$ 47,953</u>	<u>\$ ( 47,953)</u>	<u>\$ _____</u>

The interfund balances are the results of the 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) payments between funds are made.

(13) Interfund Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>	<u>Net</u>
<b>Governmental Funds:</b>			
Major funds:			
General fund	\$ 2,022,146	\$( 58,370)	\$ 1,963,776
Sales tax		( 2,126,844)	( 2,126,844)
Non-major funds	<u>402,790</u>		<u>402,790</u>
Total Governmental Funds	<u>2,424,936</u>	<u>( 2,185,214)</u>	<u>239,722</u>
<b>Enterprise Funds:</b>			
Major funds:			
Water and sewer	58,370	( 315,800)	( 257,430)
Non-major funds	<u>35,800</u>	<u>( 18,092)</u>	<u>17,708</u>
	<u>94,170</u>	<u>( 333,892)</u>	<u>( 239,722)</u>
<b>Total</b>	<u>\$ 2,519,106</u>	<u>\$ ( 2,519,106)</u>	<u>\$ _____</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

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(14) Pension Plans

Employees of the City are members of the Municipal Employees Retirement System or Municipal Police Employees Retirement System (police department employees). The following is a description of the plans and benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

**MUNICIPAL EMPLOYEES RETIREMENT SYSTEM**

The Municipal Employees' Retirement System of Louisiana is the administrator of a cost-sharing, multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. Effective October 1, 1978, under Act 788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan. The System 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 the System. Employees of the City are members of Plan A.

**Plan Description**

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 the System with exceptions as outlined in the statutes.

Retirement Benefits:

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

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Eligibility for retirement for Plan A members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service

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4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

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. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes. Any member of Plan A, who is eligible for normal retirement at time of death and who leaves a surviving spouse, will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A who is eligible to retire may elect to participate in the deferred retirement option plan(DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of 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.

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Cost of Living Increases:

The System 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 the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred Benefits:

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

**Contributions**

Contributions for all members are established by statute. Member contributions are at 9.5% of earnable compensation for Plan A. According to state statute, contribution requirements for all employers are actuarially determined each year. For the plan year ending June 30, 2018, the actual employer contribution rate was 26.00% for Plan A. The City's contributions to the System for the years ended June 30, 2019, 2018, and 2017, were \$241,448, \$232,957, and \$218,809, respectively.

**Non-Employer Contributions**

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions totaling \$32,158 are recognized as revenue during the year ended June 30, 2019, and excluded from pension expense.

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

At June 30, 2019, the City reported a liability of \$2,134,710 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the fiscal year ended June 30, 2018, as compared to the total of all employers' contributions received by the System during the fiscal year ended June 30, 2018. The City's proportion as measured at June 30, 2018, was .515546%, which was a decrease of .0014058% from its proportion measured as of June 30, 2017.

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For the year ended June 30, 2019, the City recognized pension expense of \$333,904, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$1,428.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Differences between expected and actual experience	\$ 51,460	\$ 24,439
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,403	11,116
Total	<u>\$ 74,863</u>	<u>\$ 35,555</u>

	<u>Deferred Outflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Changes of assumptions	\$ 43,698	\$ 20,564
Net difference between projected and actual earnings on pension plan investments	221,183	105,947
Changes in proportion and differences between employer contributions and proportionate share of contributions		
Employer contributions subsequent to the measurement Date	<u>164,185</u>	<u>77,263</u>
Total	<u>\$ 429,066</u>	<u>\$ 203,774</u>

The City reported a total of \$241,448 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018, which will be recognized as a reduction in net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 159,501
2021	83,271
2022	28,853
2023	<u>9,349</u>
Total	<u>\$ 280,974</u>

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**Actuarial Methods and Assumptions**

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.275%
Inflation Rate	2.6%
Projected Salary Increases	5.0%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sec Distinct Mortality Tables set forward 2 years for males and 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disables lives mortality	For disable Annuitants, RP-2000 Disabled Lives Mortality Tables set back 5 years for males and 3 years for females.
Expected Remaining Service Lives	3 years

The mortality rate assumption used was verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over 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 the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

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.

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

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	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.2%
Public fixed income	35%	1.5%
Alternatives	15%	.6%
Totals	<u>100%</u>	<u>4.3%</u>
Inflation		2.7%
Expected Arithmetic Nominal Return		7.0%

The discount rate used to measure the total pension liability was 7.275%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity to Changes in Discount Rate**

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.275%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2018:

	<u>Changes in Discount Rate</u>		
	<u>1% Decrease 6.275%</u>	<u>Current Discount Rate 7.275%</u>	<u>1% Increase 8.275%</u>
Net Pension Liability	\$2,742,229	\$2,134,710	\$ 1,616,171

**Changes in Net Pension Liability**

The changes in the net pension liability for the year ended June 30, 2019 were recognized in the current reporting period except as follows:

*Differences between Expected and Actual Experience:*

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension benefit using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

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*Differences between Projected and Actual Investment Earnings:*

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

*Changes of Assumptions:*

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

*Changes in Proportion:*

Changes in the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in proportion are presented in the Schedule of Pension Amounts as deferred outflows or deferred inflows as of June 30, 2019.

**Contributions – Proportionate Share**

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan.

**Pension Plan Fiduciary Net Position**

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2018. Access to these reports can be found on the Louisiana Legislative Auditor's website, [www.la.la.gov](http://www.la.la.gov).

**MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM**

The Municipal Police Employees' Retirement System (System) is a cost-sharing multiple-employer defined benefit plan administered by a separate board of trustees. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana, 70809.

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**Plan Description**

Membership in the System 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. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

**Membership Prior to January 1, 2013**

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System 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 \$200.00 per month, whichever is greater.

**Membership Commencing January 1, 2013**

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60.

Under both sub plans, a member is eligible for early retirement after he has been a member of the System 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

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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.

Cost of Living Adjustments

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility. No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan

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 for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited 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 the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in 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.

Initial Benefit Option Plan

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

Contributions

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2018, total contributions due from employers and

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Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

employees was 32.25%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 30.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 30.15% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 33.25% and 7.5%, respectively. The City contributions to the System for the years ended June 30, 2019, 2018, and 2017 were \$122,866, \$109,788, and \$121,491, respectively.

**Non-Employer Contributions**

The System 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 totaling \$27,625 are recognized as revenue during the year ended June 30, 2019, and excluded from pension expense.

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

At June 30, 2019, the City reported a liability of \$1,183,492 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the employer's contributions to the System during the year ended June 30, 2018, as compared to the total of all employers' contributions to the System for the year ended June 30, 2018. At June 30, 2018, the City's proportion was .139991%, which was an increase of .020656% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$176,244, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$(110,745).

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,335	\$ 60,479
Changes of assumptions	77,341	
Net difference between projected and actual earnings on pension plan investments	56,734	
Changes in proportion and differences between employer contributions and proportionate share of contributions	119,861	127,869
Employer contributions subsequent to the measurement Date	<u>122,866</u>	
Total	<u>\$ 382,137</u>	<u>\$ 188,348</u>

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

The City reported a total of \$122,866 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018, which will be recognized as a reduction in net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year	Amount
2020	\$ 39,209
2021	26,258
2022	3,395
2022	2,061
Total	\$ 70,923

**Actuarial Methods and Assumptions**

The actuarial assumptions used in the June 30, 2018 valuation were based on the assumptions used in the June 30, 2018 actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.20%, net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.60%

	<u>Years of Service</u>	<u>Salary Growth Rate</u>
Salary increases, including inflation and merit	1-2	9.75%
	3 – 23	4.75%
	23 & Over	4.25%

Mortality	<p>RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.</p> <p>RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.</p> <p>RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.</p>
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(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

Cost-of-Living Adjustments      The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	52%	3.58%
Fixed income	22%	0.46%
Alternatives	20%	1.07%
Other	6%	0.17%
Totals	<u>100%</u>	<u>5.28%</u>
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>8.03%</u>

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The 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 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 the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

**Sensitivity to Changes in Discount Rate**

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.20%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.20% or one percentage point higher 8.20% than the current rate.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

	Changes in Discount Rate		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	6.20%	7.2%	8.20%
Net Pension Liability	\$1,439,409	\$1,183,492	\$ 708,317

**Change in Net Pension Liability**

The changes in the net pension liability for the year ended June 30, 2019, were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Differences between Projected and Actual Investment Earnings:

Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

Changes of Assumptions or Other Inputs:

Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Change in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan.

**Contributions – Proportionate Share**

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

**Pension Plans Fiduciary Net Positions**

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2018. Access to these reports can be found on the Louisiana Legislative Auditor's website, [www.lla.la.gov](http://www.lla.la.gov).

(15) Subsequent Events

In December 2019, the City awarded a contract to replace a water tank in the amount of \$317,878.

Subsequent events have been evaluated through December 18, 2019, the date the financial statements were available to be issued.

(16) Litigation and Claims

At June 30, 2019, the City is involved in several lawsuits. In the opinion of legal counsel for the City, the outcome of the lawsuits is not presently determinable.

(17) Commitments

The City has a signed contract totaling \$275,000 for waste water improvements. As of June 30, 2019, costs incurred on this contract totaled \$80,185, with the balances remaining on this contract of \$194,815 to be incurred subsequent to June 30, 2019.

The City has signed contracts totaling \$1,031,020 for street improvements. As of June 30, 2019, costs incurred on these contracts totaled \$168,065, with the balances remaining on the contracts of \$862,955 to be incurred subsequent to June 30, 2019.

The City has a signed contract totaling \$47,100 for the engineering of a recreation complex. As of June 30, 2019, costs incurred on this contract totaled \$28,420, with the balances remaining on this contract of \$18,680 to be incurred subsequent to June 30, 2019.

(Continued)

City of Springhill  
Springhill, Louisiana  
Notes to Financial Statements  
June 30, 2019  
(Continued)

(18) Fund Balance Classifications

The constraints on fund balance as listed in aggregate in the Statement of Revenues, Expenditures, and Changes in Fund Balance are detailed according to balance classification and fund, as follows:

	Major Funds		Non-major Funds	Total
	General Fund	Sales Tax	Other Governmental Funds	
Fund balances:				
Nonspendable	\$ 47,415	\$	\$	\$ 47,415
Restricted:				
Debt service			305,039	305,039
Capital improvements		3,511,946		3,511,946
Sewer, water, garbage, public safety, parks & rec		905,694		905,694
Assigned:				
Property acquisition	133,119			133,119
Building maintenance	199,165			199,165
Airport	13,016			13,016
Health center maintenance	38,615			38,615
Public Safety	127,089			127,089
Other	6,537			6,537
Unassigned	1,322,248			1,322,248
 Total fund balances	 <u>\$1,887,204</u>	 <u>\$ 4,417,640</u>	 <u>\$ 305,039</u>	 <u>\$ 6,609,883</u>

(19) Deferred Inflows and Deferred Outflows of Resources

The Statement of Net Position reports deferred inflows of resources at June 30, 2019, consisting of the following:

	Governmental Activities	Business-type Activities	Total
Pension related - MERS	\$ 74,863	\$ 35,555	\$ 110,418
Pension related - MPERS	188,348		188,348
	<u>\$ 263,211</u>	<u>\$ 35,555</u>	<u>\$ 298,766</u>

The Statement of Net Position reports deferred outflows of resources at June 30, 2019, consisting of the following:

	Governmental Activities	Business-type Activities	Total
Pension related - MERS	\$ 429,066	\$ 203,774	\$ 632,840
Pension related - MPERS	382,137		382,137
	<u>\$ 811,203</u>	<u>\$ 203,774</u>	<u>\$ 1,014,977</u>

Information about each retirement plan is detailed in Note 14.

City of Springhill  
Springhill, Louisiana  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 221,000	\$ 226,000	\$ 225,584	\$ (416)
Franchise taxes	150,000	145,000	146,577	1,577
Other taxes	5,200	7,100	6,361	(739)
Licenses and permits	138,600	132,000	200,936	68,936
Charges for service	55,000	55,000	295,848	240,848
Gaming taxes	240,000	300,000	330,491	30,491
Intergovernmental revenues	178,360	176,854	161,189	(15,665)
Fines and forfeitures	22,000	22,000	28,803	6,803
Investment earnings	2,500	20,000	24,850	4,850
Rental of facilities	26,700	26,700	28,174	1,474
Oil and gas	16,000	16,000	26,507	10,507
Miscellaneous	46,785	30,985	144,007	113,022
Total revenues	1,102,145	1,157,639	1,619,327	461,688
<b>Expenditures:</b>				
<b>Current:</b>				
General government	745,465	724,830	935,771	(210,941)
Public safety	1,314,733	1,346,733	1,370,314	(23,581)
Parks and recreation	179,900	179,000	102,643	76,357
Streets	459,963	465,408	438,921	26,487
Airport	17,350	30,610	22,608	8,002
Ward court	160,850	177,519	169,042	8,477
Transportation	48,400	48,400	43,878	4,522
Maintenance	150,520	49,980	78,856	(28,876)
Driver license bureau	12,800	12,800	5,676	7,124
Capital outlay	1,002,670	1,203,374	822,579	380,795
Total expenditures	4,092,651	4,238,654	3,990,288	248,366
Excess (deficiency) of revenues over expenditures	(2,990,506)	(3,081,015)	(2,370,961)	710,054
<b>Other financing sources (uses):</b>				
Sale of assets		15,000	15,000	
Capital contributions	460,000	350,115	389,883	39,768
Insurance recoveries	50,000	30,000		(30,000)
Transfers in	1,943,000	2,022,054	2,022,146	92
Transfers out		(58,370)	(58,370)	
Total other financing sources (uses)	2,453,000	2,358,799	2,368,659	9,860
Excess (deficiency) of revenues and other sources over expenditures and other uses	(537,506)	(722,216)	(2,302)	719,914
Fund balances at beginning of year	1,398,598	1,889,505	1,889,506	1
Fund balances at end of year	\$ 861,092	\$ 1,167,289	\$ 1,887,204	\$ 719,915

City of Springhill  
Springhill, Louisiana  
Required Supplementary Information  
Budgetary Comparison Schedule  
Sales Tax Fund  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Sales tax	\$ 2,350,000	\$ 2,350,000	\$ 2,475,544	\$ 125,544
Investment income	3,800	25,000	34,875	9,875
Total revenues	<u>2,353,800</u>	<u>2,375,000</u>	<u>2,510,419</u>	<u>135,419</u>
Expenditures:				
Current:				
General government	37,200	37,200	35,821	1,379
Total expenditures	<u>37,200</u>	<u>37,200</u>	<u>35,821</u>	<u>1,379</u>
Excess (deficiency) of revenues over expenditures	2,316,600	2,337,800	2,474,598	136,798
Other financing sources (uses):				
Transfers out	(2,124,628)	(2,206,844)	(2,126,844)	80,000
Total other financing sources (uses)	<u>(2,124,628)</u>	<u>(2,206,844)</u>	<u>(2,126,844)</u>	<u>80,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	191,972	130,956	347,754	216,798
Fund balances at beginning of year	<u>3,814,843</u>	<u>4,069,886</u>	<u>4,069,886</u>	
Fund balances at end of year	<u>\$ 4,006,815</u>	<u>\$ 4,200,842</u>	<u>\$ 4,417,640</u>	<u>\$ 216,798</u>

City of Springhill  
Springhill, Louisiana  
Schedule of Proportionate Share of Net Pension Liability  
For the Year Ended June 30, 2019

Municipal Police Employees' Retirement System

Year Ended June 30	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.139991%	\$ 1,183,492	\$ 357,033	331.48%	71.89%
2018	0.119335%	1,041,845	382,649	272.27%	70.08%
2017	0.14636%	1,371,834	409,992	334.60%	66.04%
2016	0.15492%	1,213,621	419,414	289.36%	70.73%
2015	0.19671%	1,230,659	398,211	309.05%	75.10%

Municipal Employees' Retirement System

Year Ended June 30	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.515546%	\$ 2,134,710	\$ 941,239	226.80%	63.94%
2018	0.529604%	2,215,557	962,808	230.11%	62.49%
2017	0.531228%	2,177,350	948,954	229.45%	62.11%
2016	0.510513%	1,823,632	871,320	209.30%	66.18%
2015	0.504702%	1,295,290	888,763	145.74%	73.99%

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

City of Springhill  
Springhill, Louisiana  
Schedule of Contributions  
June 30, 2019

Municipal Police Employees' Retirement System

Year Ended June 30	Statutorily Required Contribution	Contributions in relation to the statutorily required contribution	Contribution Deficiency (Excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2019	\$ 122,866	\$ 122,866	\$	\$ 380,979	32.25%
2018	109,788	109,788	\$	357,033	30.75%
2017	121,491	121,491	\$	382,649	31.75%
2016	120,948	120,948	\$	409,992	29.50%
2015	132,115	132,115	\$	419,414	31.50%

Municipal Employees' Retirement System

Year Ended June 30	Statutorily Required Contribution	Contributions in relation to the statutorily required contribution	Contribution Deficiency (Excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2019	\$ 241,448	\$ 241,448	\$	\$ 928,646	26.00%
2018	232,957	232,957	\$	941,239	24.75%
2017	218,809	218,809	\$	961,798	22.75%
2016	187,418	187,418	\$	948,954	19.75%
2015	172,086	172,086	\$	871,320	19.75%

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

City of Springhill  
Springhill, Louisiana  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2019

	<u>2014 Sales Tax Bonds</u>	<u>2015 Sales Tax Bonds</u>	<u>2016 Sales Tax Bonds</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>					
Restricted investments	\$ 157,716	\$ 91,212	\$ 56,110	\$ 1	\$ 305,039
<b>Total assets</b>	<u>\$ 157,716</u>	<u>\$ 91,212</u>	<u>\$ 56,110</u>	<u>\$ 1</u>	<u>\$ 305,039</u>
 <b>Fund balances:</b>					
Restricted - debt service	\$ 157,716	\$ 91,212	\$ 56,110	\$ 1	\$ 305,039
<b>Total fund balances</b>	<u>\$ 157,716</u>	<u>\$ 91,212</u>	<u>\$ 56,110</u>	<u>\$ 1</u>	<u>\$ 305,039</u>

City of Springhill  
Springhill, Louisiana  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Other Governmental Funds  
For the Year Ended June 30, 2019

	2014 Sales Tax Bonds	2015 Sales Tax Bonds	2016 Sales Tax Bonds	Capital Projects	Totals
Revenues:					
Investment earnings	\$ 1,625	\$ 954	\$ 574	\$	\$ 3,153
Total revenues	<u>1,625</u>	<u>954</u>	<u>574</u>		<u>3,153</u>
Expenditures:					
Principal retirement	130,000	75,000	55,000		260,000
Interest and other charges	<u>78,959</u>	<u>45,524</u>	<u>14,884</u>		<u>139,367</u>
Total expenditures	<u>208,959</u>	<u>120,524</u>	<u>69,884</u>		<u>399,367</u>
Excess (deficiency) of revenues over expenditures	(207,334)	(119,570)	(69,310)		(396,214)
Other financing sources (uses):					
Transfers in	<u>212,012</u>	<u>121,437</u>	<u>69,341</u>		<u>402,790</u>
Total other financing sources (uses)	<u>212,012</u>	<u>121,437</u>	<u>69,341</u>		<u>402,790</u>
Net change in fund balance	4,678	1,867	31		6,576
Fund balances at beginning of year	<u>153,038</u>	<u>89,345</u>	<u>56,079</u>	1	<u>298,463</u>
Fund balances at end of year	<u>\$ 157,716</u>	<u>\$ 91,212</u>	<u>\$ 56,110</u>	<u>\$ 1</u>	<u>\$ 305,039</u>

City of Springhill  
Springhill, Louisiana  
Combining Schedule of Net Position  
Other Enterprise Funds  
June 30, 2019

Business-Type Activities - Enterprise Funds

	Cemetery Fund	Community Activities Fund	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 323,208	\$ 4,351	\$ 327,559
Accounts receivable	14,078		14,078
Inventories	56,101		56,101
Due from other funds	44		44
Total current assets	<u>393,431</u>	<u>4,351</u>	<u>397,782</u>
Noncurrent assets:			
Capital assets:			
Plant and equipment	54,613	2,565,020	2,619,633
Less: accumulated depreciation	(47,421)	(1,343,071)	(1,390,492)
Total noncurrent assets	<u>7,192</u>	<u>1,221,949</u>	<u>1,229,141</u>
Total assets	<u>400,623</u>	<u>1,226,300</u>	<u>1,626,923</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	16	7,842	7,858
Due to other funds	17	3,644	3,661
Total current liabilities	<u>33</u>	<u>11,486</u>	<u>11,519</u>
Total liabilities	<u>33</u>	<u>11,486</u>	<u>11,519</u>
<b>Net position</b>			
Net investment in capital assets	7,192	1,221,949	1,229,141
Unrestricted	393,398	(7,135)	386,263
Total net position	<u>\$ 400,590</u>	<u>\$ 1,214,814</u>	<u>\$ 1,615,404</u>

City of Springhill  
Springhill, Louisiana  
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position  
Other Enterprise Funds  
For the Year Ended June 30, 2019

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Cemetery Fund</u>	<u>Community Activities Fund</u>	<u>Totals</u>
Operating revenues:			
Charges for service -			
Cemetery assessments	\$ 24,895	\$	\$ 24,895
Other charges and fees	1,950		1,950
Rent		49,995	49,995
Sale of cemetery lots	3,850		3,850
Total operating revenues	<u>30,695</u>	<u>49,995</u>	<u>80,690</u>
Operating expenses:			
Cost of sales and service	1,150		1,150
Community activities		97,086	97,086
Cemetery maintenance	1,002		1,002
General and administrative	8,895		8,895
Depreciation	909	71,210	72,119
Total operating expenses	<u>11,956</u>	<u>168,296</u>	<u>180,252</u>
Operating income (loss)	<u>18,739</u>	<u>(118,301)</u>	<u>(99,562)</u>
Non-operating revenues (expenses):			
Interest income	524		524
Total non-operating revenues (expenses)	<u>524</u>		<u>524</u>
Net income (loss) before contributions and transfers	19,263	(118,301)	(99,038)
Transfers in	15,800	20,000	35,800
Transfers out	(18,000)	(92)	(18,092)
Total other financing sources (uses)	<u>(2,200)</u>	<u>19,908</u>	<u>17,708</u>
Change in net position	17,063	(98,393)	(81,330)
Net position - beginning of year	<u>383,527</u>	<u>1,313,207</u>	<u>1,696,734</u>
Net position - end of year	<u>\$ 400,590</u>	<u>\$ 1,214,814</u>	<u>\$ 1,615,404</u>

City of Springhill  
Springhill, Louisiana  
Combining Schedule of Net Position  
Water and Sewer Funds  
June 30, 2019

	Water Fund	Sewer Fund	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,061,993	\$ 80	\$ 1,062,073
Restricted cash and cash equivalents	111,812		111,812
Investments	1,835,717		1,835,717
Restricted investments	60,000		60,000
Accounts receivable	191,671	91,378	283,049
Prepays	30,903	1,262	32,165
Total current assets	<u>3,292,096</u>	<u>92,720</u>	<u>3,384,816</u>
Noncurrent assets:			
Restricted cash	581,555		581,555
Capital assets:			
Land	26,080	22,410	48,490
Construction in process	234,627	89,225	323,852
Plant and equipment	20,558,160	10,178,865	30,737,025
Less: accumulated depreciation	(6,508,011)	(5,826,168)	(12,334,179)
Total noncurrent assets	<u>14,892,411</u>	<u>4,464,332</u>	<u>19,356,743</u>
Total assets	<u>18,184,507</u>	<u>4,557,052</u>	<u>22,741,559</u>
Deferred Outflows of Resources			
Pension related	<u>177,283</u>	<u>26,491</u>	<u>203,774</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	17,255	51,784	69,039
Due to other funds	18,512	25,780	44,292
Payable from restricted assets:			
Revenue bonds	496,527		496,527
General obligation bonds		58,000	58,000
Accrued interest	22,440	826	23,266
Customer deposits	171,812		171,812
Total current liabilities	<u>726,546</u>	<u>136,390</u>	<u>862,936</u>
Non current liabilities:			
Net pension liability	598,018	89,359	687,377
Revenue bonds	9,829,435		9,829,435
General obligation bonds		58,000	58,000
Total noncurrent liabilities	<u>10,427,453</u>	<u>147,359</u>	<u>10,574,812</u>
Total liabilities	<u>11,153,999</u>	<u>283,749</u>	<u>11,437,748</u>
Deferred Inflows of Resources			
Pension related	<u>30,933</u>	<u>4,622</u>	<u>35,555</u>
<b>Net position</b>			
Net investment in capital assets	3,968,073	4,348,332	8,316,405
Restricted for debt service	581,535		581,535
Unrestricted	2,627,250	(53,160)	2,574,090
Total net position	<u>\$ 7,176,858</u>	<u>\$ 4,295,172</u>	<u>\$ 11,472,030</u>

City of Springhill  
Springhill, Louisiana  
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position  
Water and Sewer Funds  
For the Year Ended June 30, 2019

	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for service -			
Water sales	\$ 987,078	\$	\$ 987,078
Sewerage service charges		787,668	787,668
Other charges and fees	78,591		78,591
Total operating revenues	<u>1,065,669</u>	<u>787,668</u>	<u>1,853,337</u>
Operating expenses:			
Water services	689,827		689,827
Sewer services		568,936	568,936
General and administrative	67,247		67,247
Depreciation	779,170	281,470	1,060,640
Total operating expenses	<u>1,536,244</u>	<u>850,406</u>	<u>2,386,650</u>
Operating income (loss)	<u>(470,575)</u>	<u>(62,738)</u>	<u>(533,313)</u>
Non-operating revenues (expenses):			
Interest income	38,806		38,806
Interest expense	(298,978)	(3,091)	(302,069)
Total non-operating revenues (expenses)	<u>(260,172)</u>	<u>(3,091)</u>	<u>(263,263)</u>
Net income (loss) before other financing sources (uses):	(730,747)	(65,829)	(796,576)
Other financing sources (uses):			
Capital contributions	229,114		229,114
Transfers in	166,448	58,370	224,818
Transfers out	(315,800)	(166,448)	(482,248)
Total other financing sources (uses)	<u>79,762</u>	<u>(108,078)</u>	<u>(28,316)</u>
Change in net position	(650,985)	(173,907)	(824,892)
Net position - beginning of year	<u>7,827,843</u>	<u>4,469,079</u>	<u>12,296,922</u>
Net position - end of year	<u>\$ 7,176,858</u>	<u>\$ 4,295,172</u>	<u>\$ 11,472,030</u>

City of Springhill  
Springhill, Louisiana  
Schedule of Compensation Paid to Board Members  
For the Year Ended June 30, 2019

Mayor - Carroll Breaux, Salary	\$ 28,008
Mayor - W. Ray Huddleston, Salary	28,008
Alderman:	
D. Nicole Frazier	9,168
Dennis Smith	4,584
Ross Fleming	4,962
Ronnie Dees	9,546
Adam Harris	4,584
Ronnie Hearnberger	4,584
Stacey Willard	4,584
Alex Edwards	4,584
	<hr/>
	\$ 102,612
	<hr/> <hr/>

City of Springhill  
Springhill, Louisiana  
Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the Year Ended June 30, 2019

Agency Head: Carroll Breaux, Mayor 7/1/18 - 12/31/18

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 28,008
Benefits - Insurance	3,761
Benefits - Retirement	7,282
Cell phone	315
Travel	809
Meals	119
Vehicle Insurance	164

Agency Head: W. Ray Huddleston, Mayor 1/1/19 - 6/30/19

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 28,008
Benefits - Retirement	7,282
Cell phone	262
Travel	309
Meals	191
Other	175
Vehicle Insurance	1,764

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CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

The Honorable W. Ray Huddleston, Mayor  
and Members of the City Council  
City of Springhill  
Springhill, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Springhill as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Springhill's basic financial statements, and have issued our report thereon dated December 18, 2019.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Summary Schedule of Current Year Audit Findings as item 2019-001, that we consider to be a significant deficiency.

## **Compliance and Other Matters**

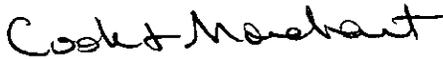
As part of obtaining reasonable assurance about whether City of Springhill's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City of Springhill's Response to Findings**

City of Springhill's response to the finding identified in our audit is described in the accompanying Summary Schedule of Current Year Audit Findings. City of Springhill'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 City of Springhill'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.



Cook & Morehart  
Certified Public Accountants  
December 18, 2019

City of Springhill  
Springhill, Louisiana  
Summary Schedule of Prior Audit Findings for the Louisiana Legislative Auditor  
June 30, 2019

There was one significant deficiency and one finding for the prior year audit for the year ended June 30, 2018, as follows:

2018-001 – Controls Over Decentralized Collections

*Condition:* During our audit, we noted a lack of controls over the decentralized collection process over police department fines.

*Recommendation:* We recommend a reconciliation of amounts collected and deposited for traffic fines to the subsidiary records on a periodic basis by someone independent of the collection process.

*Current status:* See significant deficiency 2019-001 in current year audit.

2018-002 – Public Bid Law Violation

*Condition:* During the year ended June 30, 2018, the City of Springhill purchased a F-650 regular cab truck in the amount of \$59,960. The City did not advertise for bids in the newspaper and did not purchase the truck on state contract.

*Recommendation:* We recommend the City advertise for bids or purchase from the state contract for materials and supplies over \$30,000, in order to comply with Louisiana State Bid Law.

*Current status:* No bid law finding reported in current year audit.

City of Springhill  
Springhill, Louisiana  
Summary Schedule of Current Year Audit Findings for the Louisiana Legislative Auditor  
June 30, 2019

There is one significant deficiency for the current year audit for the year ended June 30, 2019, as described below.

2019-001 – Controls Over Decentralized Collections

*Criteria:* Internal controls should be in place to ensure that adequate controls exist over decentralized collections of traffic fines.

*Condition:* During our audit, we noted a lack of controls over the decentralized collection process over police department fines.

*Cause:* Through April 2019, collections of fines were made at two different locations. Amounts collected by the police department were not reconciled to subsidiary documentation by someone independent of the collection process to ensure appropriate amounts are deposited. Effective May 2019, collections of fines are now made at the Springhill City Court.

*Effect:* Errors or irregularities could occur with regards to the collection of traffic fines and not be detected.

*Recommendation:* As noted above, effective May 2019, collections of fines are now made at the Springhill City Court. Amounts collected and deposited for traffic fines are reconciled to subsidiary records on a periodic basis by someone independent of the collection process.

*Management's Response:* The City implemented additional controls over the collection of fines effective May 2019. Fine amounts are now paid at Springhill City Court and are reconciled to subsidiary records by court personnel.

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## Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Aldermen  
City of Springhill  
Springhill, Louisiana  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the City of Springhill (City), and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures Year 3 (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The City of Springhill's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

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

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
  - 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.
  - c) ***Disbursements***, including processing, reviewing, and approving
  - d) ***Receipts***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collection for each type of revenue or agency fund additions.
  - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- 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
- 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
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statutes 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) Continuing disclosures/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The City provided written policies and procedures addressing all of the above.

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

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

**Bank Reconciliations**

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, and 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);  
 Bank reconciliations selected for testing included evidence that they were prepared within 2 months of the related statement closing date.
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and  
 Bank reconciliations selected for testing included evidence that a member of management who does not handle cash, post ledgers, or issue checks reviewed each bank reconciliation.

- 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.

*Exception:* A total of 33 checks totaling \$9,963.91, were listing as outstanding for more than 12 months of the statement closing date.

*Management's Response:* The City will research old outstanding items and follow up as deemed practical.

### **Collections**

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Management provided the requested information, along with management's representation that the listing is complete.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Segregation of duties exists as noted above, except for as follows:

*Exception:* The employee responsible for preparing checks is also responsible for mailing the checks out.

*Management's Response:* The City will consider having someone else mail the checks once they are signed. The Mayor and Town Clerk review all bank statements monthly.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Management provided the requested information, along with management's representation that the listing is complete. For the transactions selected for testing, the disbursement matched the related original invoice and included evidence of segregation of duties, except as noted below:

*Exception:* The employee who is responsible for processing payments can sign checks and mail the checks out to vendors.

*Management's Response:* The City will consider having someone else mail the checks once they are signed. The Mayor and Town Clerk review all bank statements monthly.

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

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

Management provided the requested information, along with management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) 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.

Monthly statements selected for testing were reviewed and approved in writing by someone other than the authorized card holder.

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

There were no finance charges or late fees on the statements selected for testing.

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).

Transactions selected for testing contained supporting documentation as detailed above, except as noted below:

*Exception:* Of the cards selected for testing, three (3) receipts totaling \$96.06 did not contain documentation of the business purpose and four (4) receipts for meals totaling \$101.48 did not have the names of individuals documented on the receipt.

*Management's Response:* The City will strengthen controls over documentation of credit card charges. All charges are reviewed and approved by management prior to payment.

***Travel and Expense Reimbursement***

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

***Contracts***

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

***Payroll and Personnel***

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

***Ethics (excluding nonprofits)***

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

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

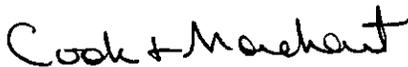
Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior year.

***Other***

Testing not required for this area for the fiscal period July 1, 2018 through June 30, 2019, due to no exceptions being noted in prior 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.



Cook & Morehart  
Certified Public Accountants  
December 18, 2019