

CITY OF FRANKLIN, LOUISIANA

Financial Report

Year Ended April 30, 2018

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1-3
Management's Discussion and Analysis	4-15
 FINANCIAL SECTION	
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	17-18
Statement of Activities	19-20
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	23-24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Proprietary Fund:	
Statement of Net Position	26-27
Statement of Revenues, Expenses, and Changes in Net Position	28
Statement of Cash Flows	29-30
Notes to the Financial Statements	31-84
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules:	
General Fund	86-87
Liquid and Solid Waste Fund	88
Schedules of Proportionate Share of Net Pension Liability	89-92
Schedules of Contributions	93-96
Notes to the Required Supplementary Information	97-99
 SUPPLEMENTAL INFORMATION	
Nonmajor Governmental Funds:	
Combining Balance Sheet	101-102
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	103-104

INTERNAL CONTROL AND COMPLIANCE

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	106-107
Summary Schedule of Prior Year Findings	108-109
Schedule of Findings and Responses	110-112
Management's Corrective Action Plan for Current Year Findings	113

OTHER SUPPLEMENTARY INFORMATION

Schedule of Changes in Assets Related to 2000 Water and Sewer Revenue Bond Debt Service	115
Schedule of Changes in Assets Related to 2009 Water and Sewer Revenue Bond Debt Service	116
Schedule of Sewerage Rates and Billings (unaudited)	117
Schedule of Water Rates and Billings (unaudited)	118
Schedule of Insurance in Force (unaudited)	119



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Louisiana (hereinafter, "City"), as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City Court of the City of Franklin and the Ward Three Marshal of the Parish of St. Mary. Those statements were reviewed by other Certified Public Accountants whose reports have been furnished to us, and our opinion, insofar as it relates to the City Court of the City of Franklin and the Ward Three Marshal of the Parish of St. Mary, is based solely on the reports of the other Certified Public Accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other Certified Public Accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of April 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, *GASBS No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of proportionate share of net pension liability, and the schedules of contributions related to pensions on pages 4 – 15, 86 – 88, 89 – 92, and 93 – 96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

October 9, 2018

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

As management of the City of Franklin, Louisiana (hereinafter "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2018. This Management's Discussion and Analysis (hereinafter "MD&A") is designed to provide an objective and easy-to-read analysis of the City's financial activities based on currently known facts, decisions, or conditions.

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

FINANCIAL HIGHLIGHTS

The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$10,418,883 (net position) for the fiscal year reported. This is a \$719,558 decrease compared to last year's \$11,138,441. The total net position of the entire City is comprised of the following:

1. Capital assets of \$14,518,261 which include property and equipment, net of accumulated depreciation and reduced for outstanding debt of \$4,447,495 related to the purchase or construction of capital assets. \$1,422,628 of the outstanding debt is a lease-purchase arrangement for an electronic water metering system in the business-type activity of the City.
2. Restricted net position of \$303,350 which includes \$249,162 for Debt Service, \$21,284 related to Special Revenue Funds, and \$32,904 for Perpetual Care.
3. Unrestricted net position of \$44,767 represents the portion available to maintain the City's continuing obligations to the citizens and creditors.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

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

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide data essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements are presented on pages 31 – 84.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary data concerning the City's budgetary presentations and net pension liability. Budgetary comparison schedules are included as "required supplementary information" for the General Fund and the Liquid and Solid Waste Fund. These schedules demonstrate compliance with the City's adopted and final amended budget. Schedules of proportionate share of net pension liability and Schedules of contributions are included as "required supplementary information" for each retirement system that the City provides to its employees. These schedules demonstrate compliance with GASB Statement No. 68. Required supplementary information can be found on pages 86 – 99 of this report.

Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for Nonmajor Funds are presented on pages 101 – 104 of this report.

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CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as an indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,418,883 at April 30, 2018. The following is a summary of the City's net position and the factors affecting net amount.

CITY OF FRANKLIN, LOUISIANA
Condensed Statements of Net Position
April 30, 2018, 2017, and 2016

	Governmental Activities			Business-type Activities			Totals		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Assets:									
Current Assets	\$ 5,237,881	\$ 5,157,306	\$ 5,154,676	\$ (1,143,760)	\$ (1,181,755)	\$ (1,289,425)	\$ 4,094,121	\$ 3,975,551	\$ 3,865,251
Restricted Assets	-	-	-	709,685	913,967	819,774	709,685	913,967	819,774
Capital Assets	9,242,187	9,624,130	9,978,047	5,276,074	5,472,123	4,043,958	14,518,261	15,096,253	14,022,005
Total Assets	14,480,068	14,781,436	15,132,723	4,841,999	5,204,335	3,574,307	19,322,067	19,985,771	18,707,030
Deferred Outflows of Resources	1,158,882	1,727,148	1,358,845	207,025	280,236	251,433	1,365,907	2,007,384	1,610,278
Liabilities:									
Current Liabilities	\$ 785,350	\$ 595,736	\$ 724,874	\$ 255,791	\$ 387,923	\$ 327,705	\$ 1,041,141	\$ 983,659	\$ 1,052,579
Payable From Restricted Assets	16,611	17,028	20,475	311,994	298,428	283,649	328,605	315,456	304,124
Long-term Liabilities	5,146,749	5,816,653	5,349,165	3,077,384	3,419,534	2,030,243	8,224,133	9,236,187	7,379,408
Total Liabilities	5,948,710	6,429,417	6,094,514	3,645,169	4,105,885	2,641,597	9,593,879	10,535,302	8,736,111
Deferred Inflows of Resources	585,607	270,549	273,864	89,605	48,863	43,447	675,212	319,412	317,311
Net Position:									
Net Investment in Capital Assets	7,464,320	8,036,880	8,161,691	2,606,446	2,500,338	2,620,958	10,070,766	10,537,218	10,782,649
Restricted	237,015	351,346	386,286	66,335	164,586	138,118	303,350	515,932	524,404
Unrestricted	1,403,298	1,420,392	1,575,213	(1,358,531)	(1,335,101)	(1,618,380)	44,767	85,291	(43,167)
Total Net Position	\$ 9,104,633	\$ 9,808,618	\$ 10,123,190	\$ 1,314,250	\$ 1,329,823	\$ 1,140,696	\$ 10,418,883	\$ 11,138,441	\$ 11,263,886

As with most cities, a large portion of the City's net position (96.7%) reflects its net investment in capital assets (land, buildings, and equipment) less depreciation and any related outstanding debt associated with those assets. The City uses those assets to provide services to citizens. Although capital assets are reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Of note is the decrease from prior year in Long-term Liabilities in the governmental activities due to a decrease of \$791,375 in net pension liability, offset by an increase from the purchase of needed police vehicles, and a decrease in the business-type activities from payments made on the water meter lease. In the governmental sector the net pension liability of \$3,532,534 remains the most prominent item of interest.

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

The net decrease in total net investment in capital assets was \$466,452, which is a result of the interplay of depreciation for the current year and the additional capital assets purchased to accomplish certain city services. The increase in the total net investment in the Business-type Activity was \$106,108, while the decrease in assets devoted to Governmental Activities was \$572,560. Additionally, since capital assets are reported net of depreciation, it should be stated that depreciation for the fiscal year was \$267,117 for the Business-type Activity and \$786,445 for the Governmental Activities. See Note 7 for further details.

Another portion of the City's net position (2.9%) represents resources that are subject to external restrictions on how they may be used. At the end of fiscal year 2018, net position totaling \$303,350 was subject to restrictions. Of this total, \$66,335 was subject to restrictions for debt service related to business-type activities, \$182,827 was restricted for debt service related to governmental activities, \$21,284 was related to special revenue items, and \$32,904 was comprised of nonexpendable perpetual care restrictions related to mausoleum services provided by the City.

Comparatively, 2017's restricted net position totaling \$515,932 was subject to the following restrictions: \$164,586 was restricted for debt service related to business-type activities, \$177,478 was restricted for debt services related to governmental activities, \$141,013 was related to special revenue items, and the remaining \$32,855 was comprised of nonexpendable perpetual care restrictions for governmental activities.

The City's unrestricted net position at April 30, 2018 was \$44,767 compared to \$85,291 which represents a decrease of \$40,524 and includes the continued imposition required by GASB Statement No. 68.

It should be noted that the balance in unrestricted net position in the business-type activities is \$(1,358,531) this fiscal year compared to \$(1,335,101) in 2017. This is a result of the fund not covering its cost of operation over a series of prior years and the net pension liability recorded of \$646,598.

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

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CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

The following schedule provides a summary of the City's changes in net position as reflected in the Statement of Activities. In addition to the 2018 data, this schedule also shows comparative data for the years 2017 and 2016.

During the year ended April 30, 2016, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This pronouncement required the City to calculate and recognize a net pension liability at April 30, 2016. See Note 12 for further details.

City of Franklin, Louisiana
Condensed Statements of Activities
For the Years Ended April 30, 2018, 2017, and 2016

	Governmental Activities			Business-type Activities			Totals		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Revenues:									
Program:									
Charges For Services and Fines	\$ 1,546,635	\$ 1,472,070	\$ 1,499,449	\$ 1,876,002	\$ 1,956,573	\$ 1,585,807	\$ 3,422,637	\$ 3,428,643	\$ 3,085,256
Operating Grants and Contributions	243,603	229,871	281,341	-	-	-	243,603	229,871	281,341
Capital Grants and Contributions	123,905	218,228	167,759	-	-	-	123,905	218,228	167,759
General:									
Sales Tax	2,454,157	2,428,625	2,508,252	-	-	-	2,454,157	2,428,625	2,508,252
Other Tax	1,130,942	1,151,284	1,175,275	-	-	-	1,130,942	1,151,284	1,175,275
Unrestricted Grants and Contributions	261,992	457,566	284,170	-	-	-	261,992	457,566	284,170
Interest	3,835	3,833	3,632	1,262	1,300	1,242	5,097	5,133	4,874
Rental	55,895	47,151	59,514	-	-	-	55,895	47,151	59,514
Cemetery/ Mausoleum	66,228	73,000	60,150	-	-	-	66,228	73,000	60,150
Miscellaneous	271,777	258,468	298,336	-	-	-	271,777	258,468	298,336
Loss on disposal of fixed assets	-	-	-	(2,390)	(3,293)	-	(2,390)	(3,293)	-
Transfers, net	3,000	115,600	1,650	(3,000)	(115,600)	(1,650)	-	-	-
Total Revenues and Transfers	\$ 6,161,969	\$ 6,455,696	\$ 6,339,528	\$ 1,871,874	\$ 1,838,980	\$ 1,585,399	\$ 8,033,843	\$ 8,294,676	\$ 7,924,927
Program Expenses:									
General Government:									
Administrative	\$ 331,101	\$ 311,871	\$ 346,940	\$ -	\$ -	\$ -	\$ 331,101	\$ 311,871	\$ 346,940
Judicial	382,117	364,082	359,397	-	-	-	382,117	364,082	359,397
Public Safety:									
Police	1,298,955	1,403,005	1,349,550	-	-	-	1,298,955	1,403,005	1,349,550
Fire	741,960	718,922	686,649	-	-	-	741,960	718,922	686,649
Streets and Drainage	794,586	801,523	892,195	-	-	-	794,586	801,523	892,195
Other Funding	272,566	284,757	291,567	-	-	-	272,566	284,757	291,567
Recreation	360,572	346,412	405,029	-	-	-	360,572	346,412	405,029
Sanitation	2,191,907	2,177,337	2,386,423	-	-	-	2,191,907	2,177,337	2,386,423
Community Development	221,334	246,783	239,476	-	-	-	221,334	246,783	239,476
Food Services	47,561	48,528	50,883	-	-	-	47,561	48,528	50,883
Miscellaneous	158,663	50	8,398	-	-	-	158,663	50	8,398
Interest	64,632	66,998	76,938	123,973	55,403	43,507	188,605	122,401	120,445
Water Utility Expense	-	-	-	1,763,474	1,594,450	1,627,464	1,763,474	1,594,450	1,627,464
Total Expenses	6,865,954	6,770,268	7,093,445	1,887,447	1,649,853	1,670,971	8,753,401	8,420,121	8,764,416
Change In Net Position	(703,985)	(314,572)	(753,917)	(15,573)	189,127	(85,572)	(719,558)	(125,445)	(839,489)
Beginning Net Position	9,808,618	10,123,190	10,877,107	1,329,823	1,140,696	1,226,268	11,138,441	11,263,886	12,103,375
Ending Net Position	\$ 9,104,633	\$ 9,808,618	\$ 10,123,190	\$ 1,314,250	\$ 1,329,823	\$ 1,140,696	\$ 10,418,883	\$ 11,138,441	\$ 11,263,886

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

GOVERNMENTAL REVENUES

In fiscal year 2018 the City experienced a decrease in revenue amounting to \$260,833. Below is a discussion of the factors that led to the decrease in revenue.

The City is heavily reliant on a percentage of sales taxes collected by the Parish of St. Mary to support governmental operations. The percentage is based on the ratio of the population of the City to the total population of the Parish. Sales tax collections provided a total of \$2,454,157 of the City's revenues for fiscal 2018 compared to \$2,428,625 the previous year (an increase of \$25,532). Sales taxes comprised approximately 39.8% of the City's total revenues for governmental activities for the 2017 fiscal year, compared to 37.6% for the previous year.

The City's collection of other taxes – ad valorem, occupational, and franchise –experienced a slight decrease of \$20,342 (1.7%) from the previous year.

The City earned \$3,835 in interest to support governmental activities, compared to \$3,833 in the 2017 fiscal year which is reflective of the conditions in the financial markets.

The City's revenues in support of governmental activities other than taxes and interest (program revenues and other minor revenues) amounted to \$2,573,035 in the 2018 fiscal year compared to \$2,871,954 in the 2017 fiscal year representing a decrease of \$298,918 (10.4%) mostly due to a reduction in unrestricted grants. Those program revenues represented 41.8% of operating revenues this fiscal year compared to 44.5% in fiscal year 2017.

Total grants and contributions (operating, capital and unrestricted) in the 2018 fiscal year were \$629,500, a decrease of \$276,165 from the 2017 fiscal year total of \$905,665.

As noted above, total revenues from governmental activities were \$6,161,969 for the fiscal year ended April 30, 2018, which is a decrease of \$293,727 over the 2017 fiscal year's total of \$6,455,696. This was due mainly to the decrease in various grants and contributions from state, federal, and other sources as noted above.

GOVERNMENTAL FUNCTIONAL EXPENSES

Governmental expenses for the 2018 fiscal year increased by \$95,686 compared to the 2017 fiscal year. This represents a 1.4% overall increase in expenses needed to maintain the level of services expected by the community.

The most significant increases in expenses in this fiscal year were in the judicial (4.8%), recreation (4.0%), and fire protection (3.2%) program expenses. It should be noted that the increase in the judicial area was offset somewhat by remittance to the City of a portion of the court costs collected in FY 2018. Miscellaneous expense increased by \$158,613 over the previous year.

Most of the other departments experienced minor increases or decreases in costs with the most dramatic decrease being in the police department which accounted for \$104,050 (7.4%).

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

CHANGE IN NET POSITION

The total change in governmental net position was a decrease of \$703,985 for the fiscal year ended April 30, 2018, compared to a decrease of \$314,572 for the fiscal year ended April 30, 2017 because expenses exceeded revenues as a result of the City trying to maintain all the services it provides to the community.

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

ANALYSIS OF GOVERNMENTAL ACTIVITIES

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

	Total Cost of Services			Net Cost of Services		
	2018	2017	2016	2018	2017	2016
Program Expenses:						
General Government	\$ 713,218	\$ 675,953	\$ 706,337	\$ (117,631)	\$ (76,799)	\$ (185,776)
Public Safety:						
Police	1,298,955	1,403,005	1,349,550	(1,193,550)	(1,316,381)	(1,248,066)
Fire	741,960	718,922	686,649	(664,713)	(591,649)	(552,930)
Streets/drainage	794,586	801,523	892,195	(778,803)	(801,523)	(871,303)
Other funding	272,566	284,757	291,567	(144,749)	(159,622)	(148,307)
Recreation	360,572	346,412	405,029	(353,072)	(341,257)	(389,861)
Sanitation	2,191,907	2,177,337	2,386,423	(1,251,471)	(1,259,268)	(1,423,032)
Community Dev.	221,334	246,783	239,476	(221,334)	(239,243)	(239,476)
Food Services	47,561	48,528	50,883	(3,193)	2,691	(809)
Miscellaneous	158,663	50	8,398	(158,663)	(50)	(8,398)
Interest	64,632	66,998	76,938	(64,632)	(66,998)	(76,938)
Total Expenses	<u>\$ 6,865,954</u>	<u>\$ 6,770,268</u>	<u>\$ 7,093,445</u>	<u>\$ (4,951,811)</u>	<u>\$ (4,850,099)</u>	<u>\$ (5,144,896)</u>

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

BUSINESS-TYPE ACTIVITIES

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

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

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

NET POSITION	2018	2017	Net Change
Net investment in capital assets	\$ 2,606,446	\$ 2,500,338	\$ 106,108
Restricted for revenue bond retirement	66,335	164,586	(98,251)
Unrestricted	<u>(1,358,531)</u>	<u>(1,335,101)</u>	<u>(23,430)</u>
Total net position	<u>\$ 1,314,250</u>	<u>\$ 1,329,823</u>	<u>\$ (15,573)</u>

ASSETS	2018	2017	Net Change	LIABILITIES	2018	2017	Net Change
Current Assets:				Current liabilities:			
Cash and interest bearing deposits	\$ 164,236	\$ 74,350	\$ 89,886	Accounts payable	\$ 73,461	\$ 50,343	\$ 23,118
Accounts receivable, net	675,795	574,577	101,218	Accrued liabilities	32,157	39,245	(7,088)
Prepaid expenses	13,600	9,973	3,627	Contracts payable	-	82,017	(82,017)
Due from other funds	<u>218,116</u>	<u>216,632</u>	<u>1,484</u>	Notes payable	2,331	3,161	(830)
Total current assets	<u>1,071,747</u>	<u>875,532</u>	<u>196,215</u>	Current portion of capital lease obligation	147,842	213,157	(65,315)
Restricted assets:				Due to other funds	<u>2,215,507</u>	<u>2,057,287</u>	<u>158,220</u>
Bond and interest sinking fund - cash	66,335	164,586	(98,251)	Total	<u>2,471,298</u>	<u>2,445,210</u>	<u>26,088</u>
Capital additions/contingencies - cash	488,687	595,024	(106,337)	Current liabilities:			
Reserve funds - cash	<u>154,663</u>	<u>154,357</u>	<u>306</u>	Payable from restricted assets:			
Total restricted assets	<u>709,685</u>	<u>913,967</u>	<u>(204,282)</u>	Revenue bonds payable	91,000	89,000	2,000
Property, plant and equipment, net	<u>5,276,074</u>	<u>5,472,123</u>	<u>(196,049)</u>	Customer's deposits	<u>220,994</u>	<u>209,428</u>	<u>11,566</u>
				Total	<u>311,994</u>	<u>298,428</u>	<u>13,566</u>
				Long-term liabilities:			
Total assets	\$ 7,057,506	\$ 7,261,622	\$ (204,116)	Revenue bonds payable, net	1,156,000	1,247,000	(91,000)
				Capital lease obligation, net of current portion	1,274,786	1,422,628	(147,842)
DEFERRED OUTFLOWS OF RESOURCES				Net pension liability	<u>646,598</u>	<u>749,906</u>	<u>(103,308)</u>
Deferred outflows of resources	\$ 207,025	\$ 280,236	\$ (73,211)	Total	<u>3,077,384</u>	<u>3,419,534</u>	<u>(342,150)</u>
				Total Liabilities	\$ 5,860,676	\$ 6,163,172	\$ (302,496)
				DEFERRED INFLOWS OF RESOURCES			
				Deferred inflows of resources	\$ 89,605	\$ 48,863	\$ 40,742

CITY OF FRANKLIN, LOUISIANA

Management’s Discussion and Analysis

The information presented on the previous page shows the net change in the various assets, deferred outflows of resources, liabilities, and deferred inflows of resources that comprise the enterprise operation. Over the prior years, the enterprise operation has had to be supplemented by interdepartmental funds as evidenced by the Due to Other Funds balance of \$2,215,507, which is an increase of \$158,220 from the previous year. The reliance on other funds causes the Unrestricted Net Position to be \$(1,358,531) at April 30, 2018.

Revenues vs. Costs

The business-type activity of the City reported \$112,528 operating income for the year compared to \$362,123 for the prior year. Total revenue decreased by \$80,571 and expenses increased by \$169,024 in fiscal 2018. Water sales were down by \$74,399 due to population changes and requests for adjustments. Expenses at the water plant increased by \$63,328 (pumps had to be replaced) and maintenance on the distribution system (breaks in mains due to aging) increased by \$55,130. The City is exploring potential infrastructure grants to assist in updating the system.

Water Enterprise Fund Revenue and Expense

	2018	2017	Net Change
Operating revenues:			
Water sales	\$ 1,522,891	\$ 1,597,290	\$ (74,399)
Reconnection and installation fees	53,509	50,967	2,542
Delinquent charges	48,359	46,546	1,813
Street light fees	168,248	175,212	(6,964)
Mosquito control	72,026	75,029	(3,003)
Miscellaneous	10,969	11,529	(560)
Total operating revenues	<u>1,876,002</u>	<u>1,956,573</u>	<u>(80,571)</u>
Operating expenses:			
Administrative and finance	36,322	38,581	(2,259)
Water production	531,467	469,994	61,473
Water distribution	285,940	230,810	55,130
Billings and collections	337,720	303,488	34,232
Meter department	48,722	59,709	(10,987)
Depreciation and amortization	267,117	247,274	19,843
Street light fees	184,320	172,936	11,384
Mosquito abatement control	71,866	71,658	208
Total operating expenses	<u>1,763,474</u>	<u>1,594,450</u>	<u>169,024</u>
Operating income (loss)	<u>\$ 112,528</u>	<u>\$ 362,123</u>	<u>\$ (249,595)</u>

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

Governmental funds reported ending fund balances of \$4,752,238 compared to the prior year total of \$4,803,574, a decrease of \$51,336. With the advent of the City having to report under GASB Statement No. 54, assets previously reported as unrestricted in prior years were subject to being allocated to production of City services. As a result they are shown as Nonspendable, Restricted, Committed, Assigned, and Unassigned. Please refer to Note 16 of this report for a complete explanation of this concept.

Attention is called to the committed category (with a balance of \$3,355,563) where the City itself has constrained amounts to specific purposes using the highest level of decision-making authority, i.e., the City Council. This concept is reflective of decisions demonstrated in the operating budget of the City which outlines the specific uses of the funds available.

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance at year end was \$1,186,128, of which \$1,049,674 was fully unassigned. The General Fund's total revenue increased \$2,978 over the prior year. Expenditures increased overall by \$195,328 over the prior year. Departments with notable increased expenses included administration (9.4%), judicial (\$8.5%), fire (12.2%), and capital outlay (106.0%) with other departments ranging from one to seven percent.

The Liquid and Solid Waste Fund provides sanitation services to the City and some unincorporated areas. The City bills citizens for that service along with its water billing. That fund had total revenues of \$2,029,978 in the 2018 fiscal year with expenditures of \$1,825,727 charged against that revenue. Revenues were up \$59,447 compared to the previous year due to minor adjustments made to the rates charged to customers. Expenditures for fiscal 2018 were up \$33,715 compared to fiscal 2017. Its ending fund balance was \$3,373,568 of which \$18,005 was classified as Non-spendable, leaving a remaining \$3,355,563 committed to providing future services.

Other nonmajor governmental funds consist of special revenue funds and debt service funds. These funds had combined total fund balances of \$192,542 and are reported as unassigned or committed to the purposes of the various funds in compliance with GASB 54. See the Supplemental Information section included in this report.

The Proprietary Fund

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

CITY OF FRANKLIN, LOUISIANA

Management's Discussion and Analysis

The City has total net position of \$1,314,250 in its proprietary fund comprised of \$2,606,446 invested in capital assets (net of accumulated depreciation and related debt), \$66,335 restricted for revenue bond retirement, and \$(1,358,531) in unrestricted net position due to amounts owed to other funds. Without the amounts due to other funds (\$2,215,507) the unrestricted amount would have been a positive \$856,976.

BUDGETARY HIGHLIGHTS

The major difference between the amended General Fund budget and the actual results in regards to revenue was a positive variance of \$256,456 (6.9%). That difference was due to the interplay of the positive and negative variances in all classes of revenue. General Fund expenditures show a negative variance of \$491,939 (13.1%) from the amended budget. While all departments showed negative variances, the most noteworthy variances from the amended budget occurred in the Police Department (\$48,556) due to vehicle repairs, in the Fire Department (\$90,527) due to repairs necessitated by its aging fleet, and in the area of capital outlay (\$194,526) due to the purchase of needed police vehicles and a backhoe used by both public works and water distribution. The net variance from the amended balanced budget was a negative \$235,483, which was offset by the variance in other financing sources and uses amounting to \$185,259, resulting in a change in fund balance of \$50,224 (4.0%).

ECONOMIC CONDITIONS AFFECTING THE CITY

For the fiscal year ended April 30, 2018, the City of Franklin experienced a slight increase in sales tax revenues of \$25,532 (1.0%). As the City looks to the future, it has the expectation that, due to the unstable price of oil and the related slowdown in the local economy, sales tax revenues will continue to be marginal in the next fiscal year but should begin to show signs of stabilization. With that said, the City will still have to exert more emphasis on reducing expenditures in areas that do not fall in the realm of police, fire and public works.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

FINANCIAL SECTION

CITY OF FRANKLIN, LOUISIANA

Statement of Net Position
April 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and interest-bearing deposits	\$ 2,506,174	\$ 164,236	\$ 2,670,410	\$ 52,865
Receivables:				
Taxes	435,458	-	435,458	-
Accounts, net of allowance	57,733	675,795	733,528	-
Internal balances	1,997,391	(1,997,391)	-	-
Prepaid expenses	90,491	13,600	104,091	-
Restricted assets:				
Cash	-	709,685	709,685	-
Due from other governmental units	150,634	-	150,634	2,094
Due from garnishment fund	-	-	-	1,000
Capital assets not being depreciated	1,578,425	10,000	1,588,425	-
Depreciable capital assets, net of accumulated depreciation	<u>7,663,762</u>	<u>5,266,074</u>	<u>12,929,836</u>	<u>25,936</u>
Total assets	14,480,068	4,841,999	19,322,067	81,895
DEFERRED OUTFLOWS OF RESOURCES				
	1,158,882	207,025	1,365,907	-

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 237,951	\$ 73,461	\$ 311,412	\$ 38
Accrued liabilities	194,123	32,157	226,280	400
Notes payable	53,569	2,331	55,900	-
Payable from restricted assets:				
Revenue bonds payable, current portion	-	91,000	91,000	-
Accrued interest	16,611	-	16,611	-
Customer deposits	-	220,994	220,994	-
Current portion of long-term obligations	299,707	147,842	447,549	-
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	1,614,215	2,430,786	4,045,001	-
Net pension liability	<u>3,532,534</u>	<u>646,598</u>	<u>4,179,132</u>	<u>-</u>
Total liabilities	5,948,710	3,645,169	9,593,879	438
DEFERRED INFLOWS OF RESOURCES				
	585,607	89,605	675,212	-
NET POSITION				
Net investment in capital assets	7,464,320	2,606,446	10,070,766	25,936
Restricted for:				
Debt service	182,827	66,335	249,162	-
Special revenue funds	21,284	-	21,284	-
Perpetual care	32,904	-	32,904	-
Unrestricted	<u>1,403,298</u>	<u>(1,358,531)</u>	<u>44,767</u>	<u>55,521</u>
Total net position	<u>\$ 9,104,633</u>	<u>\$ 1,314,250</u>	<u>\$ 10,418,883</u>	<u>\$ 81,457</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Activities
Year Ended April 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Administrative	\$ 331,101	\$ 393,497	\$ -	\$ 78,897
Judicial	382,117	119,193	-	4,000
Public safety:				
Police	1,298,955	65,921	19,194	20,290
Fire	741,960	32,523	44,724	-
Public works:				
Streets and drainage	794,586	-	-	15,783
Other funding	272,566	-	127,817	-
Recreation	360,572	-	7,500	-
Sanitation	2,191,907	935,501	-	4,935
Community development	221,334	-	-	-
Food services	47,561	-	44,368	-
Miscellaneous	158,663	-	-	-
Interest and fiscal charges on debt	<u>64,632</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	6,865,954	1,546,635	243,603	123,905
Business-type activities:				
Water	1,763,474	1,876,002	-	-
Interest and fiscal charges on debt	<u>123,973</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	1,887,447	1,876,002	-	-
Component units:				
City Court	182,784	72,891	139,776	-
Ward Three Marshal	<u>146,448</u>	<u>18,885</u>	<u>124,429</u>	<u>-</u>
Total component unit activities	<u>329,232</u>	<u>91,776</u>	<u>264,205</u>	<u>-</u>
Total government	<u>\$ 9,082,633</u>	<u>\$ 3,514,413</u>	<u>\$ 507,808</u>	<u>\$ 123,905</u>

General Revenues:

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

The accompanying notes are an integral part of this statement.

Net (Expense) Revenues and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ 141,293	\$ -	\$ 141,293	\$ -
(258,924)	-	(258,924)	-
(1,193,550)	-	(1,193,550)	-
(664,713)	-	(664,713)	-
(778,803)	-	(778,803)	-
(144,749)	-	(144,749)	-
(353,072)	-	(353,072)	-
(1,251,471)	-	(1,251,471)	-
(221,334)	-	(221,334)	-
(3,193)	-	(3,193)	-
(158,663)	-	(158,663)	-
(64,632)	-	(64,632)	-
(4,951,811)	-	(4,951,811)	-
-	112,528	112,528	-
-	(123,973)	(123,973)	-
-	(11,445)	(11,445)	-
-	-	-	29,883
-	-	-	(3,134)
-	-	-	26,749
(4,951,811)	(11,445)	(4,963,256)	26,749
708,349	-	708,349	-
2,454,157	-	2,454,157	-
422,593	-	422,593	-
261,992	-	261,992	-
3,835	1,262	5,097	-
55,895	-	55,895	-
66,228	-	66,228	-
-	(2,390)	(2,390)	-
271,777	-	271,777	210
3,000	(3,000)	-	-
4,247,826	(4,128)	4,243,698	210
(703,985)	(15,573)	(719,558)	26,959
9,808,618	1,329,823	11,138,441	54,498
\$ 9,104,633	\$ 1,314,250	\$ 10,418,883	\$ 81,457

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Balance Sheet – Governmental Funds
April 30, 2018

	General Fund	Liquid and Solid Waste Fund	Other Governmental	Total Governmental Funds
ASSETS				
Cash and interest-bearing deposits	\$ 1,411,380	\$ 884,485	\$ 210,309	\$ 2,506,174
Receivables:				
Taxes	285,062	150,396	-	435,458
Accounts	57,733	-	-	57,733
Prepaid expenses	72,486	18,005	-	90,491
Due from other governmental units	103,702	41,997	4,935	150,634
Due from other funds	<u>6,402</u>	<u>2,472,604</u>	<u>-</u>	<u>2,479,006</u>
Total assets	<u>\$ 1,936,765</u>	<u>\$ 3,567,487</u>	<u>\$ 215,244</u>	<u>\$ 5,719,496</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 75,227	\$ 155,322	\$ 7,402	\$ 237,951
Accrued liabilities	176,259	17,864	-	194,123
Notes payable	36,044	17,525	-	53,569
Due to other funds	<u>463,107</u>	<u>3,208</u>	<u>15,300</u>	<u>481,615</u>
Total liabilities	750,637	193,919	22,702	967,258
Fund balances:				
Nonspendable	105,390	18,005	-	123,395
Restricted	-	-	204,111	204,111
Committed	-	3,355,563	-	3,355,563
Assigned	31,064	-	-	31,064
Unassigned	<u>1,049,674</u>	<u>-</u>	<u>(11,569)</u>	<u>1,038,105</u>
Total fund balances	<u>1,186,128</u>	<u>3,373,568</u>	<u>192,542</u>	<u>4,752,238</u>
 Total liabilities and fund balances	 <u>\$ 1,936,765</u>	 <u>\$ 3,567,487</u>	 <u>\$ 215,244</u>	 <u>\$ 5,719,496</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
April 30, 2018

Total fund balances - governmental funds	\$ 4,752,238
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	9,242,187
Deferred outflows of resources associated with net pension liability are not available resources and, therefore, are not reported in the governmental fund.	1,158,882
Accrued interest is not due and payable in the current period and, therefore, is not reported in the governmental fund.	(16,611)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(5,446,456)
Deferred inflows of resources associated with net pension liability are not payable from current expendable resources and, therefore, are not reported in the governmental fund.	<u>(585,607)</u>
Total net position - governmental activities	<u>\$ 9,104,633</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended April 30, 2018

	General Fund	Liquid and Solid Waste Fund	Other Governmental	Total Governmental Funds
Revenues:				
Taxes	\$ 2,495,550	\$ 1,094,212	\$ -	\$ 3,589,762
Licenses and permits	393,497	-	-	393,497
Intergovernmental	724,332	132,626	55,667	912,625
Charges for services	-	802,875	18,430	821,305
Fines and forfeitures	73,335	-	-	73,335
Rentals	55,895	-	-	55,895
Investment earnings	2,520	265	78	2,863
Cemetery and crypt sales	66,228	-	-	66,228
Miscellaneous	<u>176,434</u>	<u>-</u>	<u>-</u>	<u>176,434</u>
Total revenues	3,987,791	2,029,978	74,175	6,091,944
Expenditures:				
Current -				
General government:				
Administrative	291,974	-	-	291,974
Judicial	333,663	-	-	333,663
Public safety:				
Police	1,249,926	-	12,829	1,262,755
Fire	644,777	-	-	644,777
Public works:				
Streets and drainage	626,090	-	-	626,090
Other funding	287,566	-	-	287,566
Recreation	269,853	-	-	269,853
Sanitation	-	1,823,073	-	1,823,073
Community development	136,371	-	-	136,371
Food services	-	-	47,561	47,561
Miscellaneous	-	-	158,663	158,663
Debt service -				
Principal	77,118	-	54,809	131,927
Interest and fiscal charges	57,410	-	7,673	65,083
Capital outlay	<u>249,526</u>	<u>2,654</u>	<u>152,322</u>	<u>404,502</u>
Total expenditures	<u>4,224,274</u>	<u>1,825,727</u>	<u>433,857</u>	<u>6,483,858</u>
Excess (deficiency) of revenues over expenditures	(236,483)	204,251	(359,682)	(391,914)

(Continued)

	General Fund	Liquid and Solid Waste Fund	Other Governmental	Total Governmental Funds
Other financing sources (uses):				
Proceeds from capital lease	184,812	-	-	184,812
Bond proceeds	-	152,766	-	152,766
Transfers in	9,000	-	215,349	224,349
Transfers out	<u>(7,553)</u>	<u>(204,796)</u>	<u>(9,000)</u>	<u>(221,349)</u>
Total other financing sources (uses)	<u>186,259</u>	<u>(52,030)</u>	<u>206,349</u>	<u>340,578</u>
Changes in fund balances	(50,224)	152,221	(153,333)	(51,336)
Fund balances, beginning	<u>1,236,352</u>	<u>3,221,347</u>	<u>345,875</u>	<u>4,803,574</u>
Fund balances, ending	<u>\$ 1,186,128</u>	<u>\$ 3,373,568</u>	<u>\$ 192,542</u>	<u>\$ 4,752,238</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 Year Ended April 30, 2018

Net changes in fund balances - governmental funds	\$ (51,336)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period	(381,943)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	146,927
Loan proceeds provide current financing resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(337,578)
Costs associated with pension obligations	1,902
Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability:	
Increase in pension expense	(158,974)
Non-employer pension contribution revenue	67,025
Excess of compensated absences earned over amounts used	9,541
Excess of interest accrued over interest paid	<u>451</u>
Change in net position - governmental activities	<u>\$ (703,985)</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Net Position – Proprietary Fund
April 30, 2018

	Water Enterprise Fund
	<u> </u>
ASSETS	
Current assets:	
Cash and interest-bearing deposits	\$ 164,236
Receivables:	
Accounts, net of allowance	675,795
Prepaid expenses	13,600
Due from other funds	<u>218,116</u>
Total current assets	1,071,747
Restricted assets:	
Debt service fund -	
Cash	66,335
Capital additions and contingencies account -	
Cash	488,687
Reserve fund -	
Cash	<u>154,663</u>
Total restricted assets	709,685
Property, plant, and equipment:	
Property, plant, and equipment, at cost, net of accumulated depreciation of \$4,962,665	<u>5,276,074</u>
Total assets	7,057,506
DEFERRED OUTFLOWS OF RESOURCES	207,025

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 Year Ended April 30, 2018

	<u>Water Enterprise Fund</u>
Operating revenues:	
Water sales	\$ 1,522,891
Reconnection and installation fees	53,509
Delinquent charges	48,359
Street light fees	168,248
Mosquito control	72,026
Miscellaneous	<u>10,969</u>
Total operating revenues	1,876,002
Operating expenses:	
Administrative and finance	36,322
Water production	531,467
Water distribution	285,940
Billings and collections	337,720
Meter department	48,722
Depreciation and amortization	267,117
Street light fees	184,320
Mosquito control	<u>71,866</u>
Total operating expenses	<u>1,763,474</u>
Operating income	112,528
Nonoperating revenues (expenses):	
Loss on disposal of fixed assets	(2,390)
Interest income	1,262
Interest and fiscal charges	<u>(123,973)</u>
Total nonoperating revenues (expenses)	<u>(125,101)</u>
Loss before contributions and transfers	(12,573)
Transfers out	<u>(3,000)</u>
Change in net position	(15,573)
Net position, beginning	<u>1,329,823</u>
Net position, ending	<u><u>\$ 1,314,250</u></u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Cash Flows – Proprietary Fund
Year Ended April 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,761,191
Payments to suppliers for goods and services	(953,054)
Payments to employees	<u>(577,943)</u>
Net cash provided by operating activities	230,194

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Operating transfers to other funds	(3,000)
Increase in due to other funds	<u>156,736</u>
Net cash provided by noncapital financing activities	153,736

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

Principal payments on revenue bonds	(89,000)
Principal payments on capital lease obligations	(213,157)
Interest payments on revenue bonds and capital lease obligations	(123,973)
Acquisition and construction of capital assets	<u>(73,458)</u>
Net cash used by capital and related financing activities	(499,588)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on interest-bearing deposits	<u>1,262</u>
Net cash provided by investing activities	<u>1,262</u>
Net decrease in cash and cash equivalents	(114,396)
Cash and cash equivalents, beginning of period	<u>988,317</u>
Cash and cash equivalents, end of period	<u><u>\$ 873,921</u></u>

(Continued)

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Cash Flows – Proprietary Funds (Continued)
Year Ended April 30, 2018

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

Operating income	\$	112,528
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		267,117
Pension expense, net of nonemployer contributions		10,645
Increase in accounts receivable		(101,218)
Increase in prepaid expenses		(3,627)
Increase in accounts payable and other accrued liabilities		16,030
Decrease in contracts payable		(82,017)
Decrease in note payable		(830)
Increase in customer meter deposits		11,566
Total adjustments		<u>117,666</u>
Net cash provided by operating activities	\$	<u>230,194</u>

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

Cash and cash equivalents, beginning of year -		
Interest-bearing deposits - unrestricted	\$	74,350
Interest-bearing deposits - restricted		<u>913,967</u>
Total cash and cash equivalents		988,317
Cash and cash equivalents, end of year -		
Interest-bearing deposits - unrestricted		164,236
Interest-bearing deposits - restricted		<u>709,685</u>
Total cash and cash equivalents		<u>873,921</u>
Net decrease in cash and cash equivalents	\$	<u>(114,396)</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Basis of Presentation

Government-wide Financial Statements:

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements:

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

Governmental Funds

General fund

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

Special revenue funds

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

Debt service funds

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

Capital projects funds

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

Proprietary Fund

Enterprise fund

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major and Nonmajor Funds

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

Major Funds:

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

Special Revenue Fund:

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

Proprietary Fund:

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

Nonmajor Funds:

Special Revenue Funds:

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Projects Fund:

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

Debt Service Funds:

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

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

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

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

Measurement Focus/Basis of Accounting

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

The government-wide statements and fund financial statements for the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales taxes are considered measurable when in the hands

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of intermediary collecting governments and are recognized as revenues at that time. The City considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related liability is incurred. However, debt service expenditures are recorded only when payment is due.

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

Capital Assets

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

Estimated useful lives are as follows:

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

Short-Term Interfund Receivables/Payables

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

Restricted Assets

Certain assets of the enterprise fund are classified as restricted assets because their use is limited by applicable bond covenants and other restrictions. The "debt service fund" is used to segregate resources accumulated for debt service payments according to the sinking fund requirements set aside by the bond requirements schedule. The "contingencies fund" is used to segregate resources accumulated to pay the principal and interest on bonds for the payment of

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

which there is not sufficient money in the bond and interest sinking fund and is available for the making of improvements and extensions to the system. However, this money shall never be used for the making of improvements and extensions to the system or payment of principal and interest on bonds if such use of said money will leave in the revenue bond contingency fund for the making of emergency repairs or replacements less than the sum of \$10,000. The reserve fund is to be maintained solely for the purpose of paying the principal and interest on bonds payable from the debt service fund as to which there would otherwise be default. The "customer deposits" is used to segregate those refundable resources received from customers currently on the system.

Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Although the specific charge-off method is not in conformity with generally accepted accounting principles (GAAP), the resulting difference between the allowance method and specific charge-off method would result in an immaterial difference. An allowance for uncollectible utility receivables of \$75,355 has been provided at April 30, 2018.

Interfund Transfers

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

Compensated Absences

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

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

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

Government-wide Financial Statements:

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

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

Fund Financial Statements:

The City applies GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. See Note 16 for further explanation.

Capitalization of Interest Expense

It is the policy of the City to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. For the year ended April 30, 2018, no capitalized interest expense was recorded on the books.

Use of Estimates

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

Receivables in Governmental Funds

Receivables are stated at net realizable value after provision for estimated uncollectible accounts. For the year ended April 30, 2018, no provision for estimated uncollectible accounts was recorded on the books.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Cash Flows

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

Pensions

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

Change in Accounting

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was implemented during the year ended April 30, 2018. This GASB statement amended GASB Statement No. 68 requirements related to note disclosures for supplementary information and payables to defined benefit pension plans.

Subsequent Events

The City has evaluated subsequent events through October 9, 2018, the date the financial statements were available to be issued.

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

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

The carrying value of the City's cash and interest-bearing deposits with financial institutions at April 30, 2018 totaled \$3,432,960 and the bank balance was \$3,579,448. Cash and interest-bearing deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (CONTINUED)

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

NOTE 3 AD VALOREM TAXES

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

For the year ended April 30, 2018, taxes of 19.64 mills were levied on property with assessed valuations totaling \$36,228,542 and were dedicated as follows:

General governmental services	13.82 mills
Sewerage system maintenance	5.82 mills

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 4 INTERFUND RECEIVABLES/PAYABLES

Interfund balances at April 30, 2018 consisted of the following amounts:

	<u>Receivables</u>	<u>Payables</u>
Governmental Funds		
Major Funds:		
General Fund		
Special Revenue Funds	\$ 3,208	\$ 244,991
Proprietary Fund	<u>3,193</u>	<u>218,116</u>
Total General Fund	6,401	463,107
Special Revenue Funds:		
Liquid and Solid Waste Fund		
General Fund	244,991	3,208
Capital Projects Funds	15,300	-
Proprietary Fund	<u>2,212,314</u>	<u>-</u>
Total Special Revenue Funds	<u>2,472,605</u>	<u>3,208</u>
Total major funds	<u>2,479,006</u>	<u>466,315</u>
Nonmajor Funds:		
Capital Projects Fund:		
Special Revenue Funds	<u>-</u>	<u>15,300</u>
Total nonmajor governmental	<u>-</u>	<u>15,300</u>
Total governmental funds	2,479,006	481,615
Business-Type Fund		
Proprietary Fund:		
General Fund	218,116	3,193
Special Revenue Funds	<u>-</u>	<u>2,212,314</u>
Total business-type fund	<u>218,116</u>	<u>2,215,507</u>
Total interfund receivables/payables	<u>\$ 2,697,122</u>	<u>\$ 2,697,122</u>

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

NOTE 5 INTERGOVERNMENTAL AGREEMENTS

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 5 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

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

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

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

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

NOTE 6 DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at April 30, 2018 consisted of the following:

	General Fund	Liquid and Solid Waste Fund	Capital Outlay Fund	Totals
Federal Government				
Grants	\$ 9,450	\$ -	\$ -	\$ 9,450
State of Louisiana				
Reimbursements	17,183	-	-	17,183
Grass Cutting Fee (DOTD)	5,420	-	-	5,420
Video poker taxes	47,348	-	-	47,348
St. Mary Parish Council				
Reimbursements	24,301	41,997	2,468	68,766
St. Mary Parish Consolidated Drainage District No. 1				
Reimbursements	-	-	2,467	2,467
City Court Marshal				
Reimbursements	-	-	-	-
Total due from other governmental units	<u>\$ 103,702</u>	<u>\$ 41,997</u>	<u>\$ 4,935</u>	<u>\$ 150,634</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 7 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2018, was as follows:

	Balance 4/30/2017	Additions	Deletions	Balance 4/30/2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 825,187	\$ -	\$ -	\$ 825,187
Construction in progress	<u>600,916</u>	<u>152,322</u>	<u>-</u>	<u>753,238</u>
Total capital assets not being depreciated	1,426,103	152,322	-	1,578,425
Capital assets being depreciated:				
Buildings	2,746,372	-	-	2,746,372
Improvements	17,906,555	-	(13,880)	17,892,675
Equipment	<u>4,506,562</u>	<u>252,180</u>	<u>(94,827)</u>	<u>4,663,915</u>
Total capital assets being depreciated	25,159,489	252,180	(108,707)	25,302,962
Less accumulated depreciation for:				
Buildings	(1,927,304)	(58,051)	-	(1,985,355)
Improvements	(11,294,082)	(544,626)	13,880	(11,824,828)
Equipment	<u>(3,740,076)</u>	<u>(183,768)</u>	<u>94,827</u>	<u>(3,829,017)</u>
Total accumulated depreciation	<u>(16,961,462)</u>	<u>(786,445)</u>	<u>108,707</u>	<u>(17,639,200)</u>
Total capital assets, being depreciated, net	<u>8,198,027</u>	<u>(534,265)</u>	<u>-</u>	<u>7,663,762</u>
Governmental activities capital assets, net	<u>\$ 9,624,130</u>	<u>\$ (381,943)</u>	<u>\$ -</u>	<u>\$ 9,242,187</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	<u>1,635,785</u>	<u>-</u>	<u>(1,635,785)</u>	<u>-</u>
Total capital assets not being depreciated	1,645,785	-	(1,635,785)	10,000
Capital assets being depreciated:				
Building improvements and equipment	8,217,392	1,709,243	(39,461)	9,887,174
Automotive equipment	253,644	-	(3,250)	250,394
Furniture and fixtures	<u>118,537</u>	<u>-</u>	<u>(27,366)</u>	<u>91,171</u>
Total capital assets being depreciated	8,589,573	1,709,243	(70,077)	10,228,739
Less accumulated depreciation for:				
Building improvements and equipment	(4,432,815)	(261,545)	37,071	(4,657,289)
Automotive equipment	(217,482)	(4,826)	3,250	(219,058)
Furniture and fixtures	<u>(112,938)</u>	<u>(746)</u>	<u>27,366</u>	<u>(86,318)</u>
Total accumulated depreciation	<u>(4,763,235)</u>	<u>(267,117)</u>	<u>67,687</u>	<u>(4,962,665)</u>
Total capital assets, being depreciated, net	<u>3,826,338</u>	<u>1,442,126</u>	<u>(2,390)</u>	<u>5,266,074</u>
Business-type activities capital assets, net	<u>\$ 5,472,123</u>	<u>\$ 1,442,126</u>	<u>\$ (2,390)</u>	<u>\$ 5,276,074</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 7 CHANGES IN CAPITAL ASSETS (CONTINUED)

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

Governmental activities:		
General government and administration		\$ 31,067
Judicial		4,122
Public safety:		
Police		40,875
Fire		70,283
Public works:		
Streets and drainage		145,439
Culture and recreation		81,557
Community development		77,676
Sanitation		<u>335,426</u>
Total depreciation expense, governmental activities		<u>\$ 786,445</u>
Business-type activities:		
Water		<u>\$ 267,117</u>

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Component Unit:				
City Court -				
Capital assets being depreciated:				
Furniture, fixtures, and equipment	\$ 70,989	\$ 1,073	\$ (11,646)	\$ 60,416
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	<u>(54,599)</u>	<u>(3,721)</u>	<u>11,646</u>	<u>(46,674)</u>
Total capital assets being depreciated, net	<u>\$ 16,390</u>	<u>\$ (2,648)</u>	<u>\$ -</u>	<u>\$ 13,742</u>

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Component Unit:				
Ward Three Marshal -				
Capital assets being depreciated:				
Vehicles	\$ 23,770	\$ -	\$ -	\$ 23,770
Furniture and equipment	<u>7,164</u>	<u>-</u>	<u>-</u>	<u>7,164</u>
	30,934	-	-	30,934
Less accumulated depreciation for:				
Vehicles, furniture and equipment	<u>(14,509)</u>	<u>(4,231)</u>	<u>-</u>	<u>(18,740)</u>
Total capital assets being depreciated, net	<u>\$ 16,425</u>	<u>\$ (4,231)</u>	<u>\$ -</u>	<u>\$ 12,194</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 7 CHANGES IN CAPITAL ASSETS (CONTINUED)

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

NOTE 8 CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended April 30, 2018:

	Balance April 30, 2017	Additions	Deletions	Balance April 30, 2018	Due Within One Year
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 31,250	\$ 152,766	\$ 15,000	\$ 169,016	\$ 66,000
Revenue Bonds	1,556,000	-	123,000	1,433,000	129,000
Capital Leases	-	184,812	8,961	175,851	15,598
Compensated Absences	104,004	96,079	105,620	94,463	89,109
Pension Obligations	<u>4,367,403</u>	<u>-</u>	<u>793,277</u>	<u>3,574,126</u>	<u>-</u>
Total governmental activities	6,058,657	433,657	1,045,858	5,446,456	299,707
<u>Business-type activities:</u>					
Revenue bonds payable	\$ 1,336,000	\$ -	\$ 89,000	\$ 1,247,000	\$ 91,000
Capital Leases	1,635,785	-	213,157	1,422,628	147,842
Pension Obligations	<u>749,906</u>	<u>-</u>	<u>103,308</u>	<u>646,598</u>	<u>-</u>
Total business-type activities	<u>3,721,691</u>	<u>-</u>	<u>405,465</u>	<u>3,316,226</u>	<u>238,842</u>
Total government	<u>\$ 9,780,348</u>	<u>\$ 433,657</u>	<u>\$ 1,451,323</u>	<u>\$ 8,762,682</u>	<u>\$ 538,549</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN LONG-TERM DEBT (CONTINUED)

Bonds and certificates payable at April 30, 2018 are comprised of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
General Obligation Bonds:		
\$300,000 loan from the U.S. Department of Housing and Urban Development passed through the Louisiana Division of Administration, Office of Community Development due in monthly installments of \$1,250; bearing no interest; payable from rents received on the building	\$ 16,250	\$ -
\$1,880,000 Taxable Limited Tax Bonds, Series 2018, dated April 18, 2018; due in annual installments of \$51,000 to \$61,000, maturing April 1, 2038; bearing interest at 0.95%; secured by ad valorem tax revenue proceeds.	<u>152,766</u>	<u>-</u>
Total General Obligation Bonds Payable	169,016	-
Revenue Bonds:		
Water and Sewer Revenue Bonds, Series 2000, dated July 28, 2000; due in annual installments of \$28,000 to \$53,000 maturing March 1, 2021; bearing interest at 2.45%; secured by a pledge of utility and liquid and solid waste revenues after reasonable and necessary operating expenses	153,000	-
2012 Public Improvement Revenue Bonds dated October 20, 2012; due in annual installments of \$70,000 to \$120,000 maturing June 1, 2030; bearing interest at 3.70%; secured by excess annual revenues	<u>1,280,000</u>	<u>-</u>
Total Revenue Bonds Payable	1,433,000	-
Utility Revenue Bonds:		
\$2,705,000 Water and Sewer Revenue Bonds, Series 2009 A and B, dated February 2, 2010; due in annual installments of \$75,000 to \$118,000, maturing March 1, 2030; bearing interest at 3.45%; secured by revenues from the Utility and Liquid and Solid Waste Funds. See Note 10.	<u>-</u>	<u>1,247,000</u>
Total bonds and certificates payable	<u>\$ 1,449,250</u>	<u>\$ 1,247,000</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN LONG-TERM DEBT (CONTINUED)

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

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

The annual requirements to amortize all debt outstanding as of April 30, 2018, are as follows:

<u>General Obligation Bonds:</u>	<u>Governmental Activities</u>		
<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 66,000	\$ 4,759	\$ 70,759
2020	52,250	4,766	57,016
2021	50,766	4,536	55,302
Total	<u>\$ 169,016</u>	<u>\$ 14,061</u>	<u>\$ 183,077</u>
<u>Revenue Bonds:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 129,000	\$ 48,116	\$ 177,116
2020	131,000	43,956	174,956
2021	138,000	39,653	177,653
2022	90,000	35,117	125,117
2023	90,000	31,787	121,787
2024 - 2028	510,000	109,932	619,932
2029 - 2031	345,000	20,091	365,091
Total	<u>\$ 1,433,000</u>	<u>\$ 328,652</u>	<u>\$ 1,761,652</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN LONG-TERM DEBT (CONTINUED)

Year Ending April 30,	Business-type Activities		
	Principal	Interest	Total
2019	\$ 91,000	\$ 36,786	\$ 127,786
2020	93,000	34,102	127,102
2021	95,000	31,358	126,358
2022	98,000	28,556	126,556
2023	100,000	25,664	125,664
2024 - 2028	537,000	82,690	619,690
2029 - 2030	233,000	10,356	243,356
Total	<u>\$ 1,247,000</u>	<u>\$ 249,512</u>	<u>\$ 1,496,512</u>

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

	Governmental	Business-type
Equipment - ladder truck	\$ 595,500	\$ -
Equipment - police cars	61,846	-
Equipment - backhoe	74,562	-
Equipment - police cars	110,250	-
Water meters	-	1,635,785
Less: accumulated amortization	<u>(601,088)</u>	<u>(27,263)</u>
Net value	241,070	1,608,522

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

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of April 30, 2018:

Year ending:	Governmental	Business-type
2019	\$ 41,887	\$ 192,911
2020	41,887	192,911
2021	41,887	192,911
2022	41,887	192,911
2023	31,535	192,911
2024 - 2027	-	675,191
Total minimum lease payments	<u>199,083</u>	<u>1,639,746</u>
Less: amount representing interest	<u>(23,232)</u>	<u>(217,118)</u>
Present value of net minimum lease payments	<u>\$ 175,851</u>	<u>\$ 1,422,628</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 9 INTERFUND TRANSFERS

	Transfers in	Transfers out
	<u> </u>	<u> </u>
Governmental Funds		
Major Funds:		
General Fund:		
Special Revenue Funds	\$ 9,000	\$ 4,553
Debt Service Funds	<u> -</u>	<u>3,000</u>
Total General Fund	9,000	7,553
Special Revenue Funds:		
Liquid and Solid Waste Fund		
Capital Projects Fund	-	142,996
Debt Service Funds	<u> -</u>	<u>61,800</u>
Total Special Revenue Funds	<u> -</u>	<u>204,796</u>
Total Major Funds	9,000	212,349
Nonmajor Funds:		
Special Revenue Funds		
General Fund	4,553	9,000
Debt Service Funds		
General Fund	3,000	-
Special Revenue Funds	61,800	-
Proprietary Fund	<u>3,000</u>	<u> -</u>
Total Debt Service Funds	67,800	-
Capital Projects Fund:		
Special Revenue Funds	<u>142,996</u>	<u> -</u>
Total Nonmajor Funds	<u>215,349</u>	<u>9,000</u>
Total Governmental Funds	224,349	221,349
Business-type Fund		
Proprietary Fund		
Debt Service Funds	<u> -</u>	<u>3,000</u>
Total Business-Type Fund	<u> -</u>	<u>3,000</u>
Total Interfund Transfers	<u>\$ 224,349</u>	<u>\$ 224,349</u>

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

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

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

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

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

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

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

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

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

Proceeds of a 1% sales and use tax levied by the City in 1966. (2018 collections \$1,000,873). Collections are accounted for in the General Fund. Proceeds of this tax shall be used for the following purposes: construction, acquisition, improvement, maintenance and repairs of streets, capital improvements, public works and buildings (including the acquisition of sites and necessary fixtures, equipment, furnishings and appurtenances, and the payment of obligations and refunding obligations which have been or may be issued for the purpose of acquiring and improving public works and buildings); for payment or supplementing salaries of all municipal employees; for the operation of recreational facilities; for the acquisition, maintenance, repairs and payment of operating expenses of equipment, vehicles, and other machinery owned by the municipality; and for any other public purpose authorized by state law.

Proceeds of a 3/10 of 1% sales and use tax levied by the City in 1983. (2018 collections \$275,416). Collections are accounted for in the General Fund. Proceeds are dedicated to the following purposes: operating and maintaining the municipal police department, the municipal fire department and the volunteer fire department including paying or supplementing the salaries of municipal employees and personnel of those respective departments; and for the purpose of purchasing, constructing, acquiring, extending and/or improving all or any portion of public works or capital improvements, utilized or occupied by said departments.

Proceeds of a 3/4 of 1% sales and use tax levied by the City in 1973. (2018 collections \$883,457). Collections are accounted for in the Liquid and Solid Waste Fund—a special revenue fund. Proceeds are to be used for the construction, acquisition, extension, improvement, operation, and maintenance of solid waste collection and disposal facilities, sewers and sewerage disposal works, and other facilities for pollution control and abatement; and to pay debt service requirements on bonds issued for any of the above-mentioned purposes.

NOTE 12 EMPLOYEE RETIREMENT

Plan descriptions

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Municipal Employees' Retirement System of Louisiana Plan A

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

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

Municipal Police Employees' Retirement System

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

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

Louisiana State Employees' Retirement System

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

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

Firefighters' Retirement System of Louisiana

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Benefits provided

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

Municipal Employees' Retirement System of Louisiana Plan A

Eligibility Requirements:

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

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

Benefits:

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

1. Retirement Benefits:

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

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

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. An additional regular retirement benefit can be received for any city marshal or deputy city marshal.

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

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

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

2. Survivor Benefits:

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

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

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

3. Deferred Retirement Option Plan (DROP) Benefits:

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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

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

4. Disability Benefits:

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

Cost of Living Adjustments:

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

Deferred Benefits:

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Municipal Police Employees' Retirement System

Eligibility Requirements:

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

Benefits:

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

1. Retirement Benefits:

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

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

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

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

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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

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

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

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

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

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

2. Deferred Retirement Option Plan (DROP) Benefits:

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in MPERS is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into MPERS shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of MPERS's investment portfolio as certified by the actuary on

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on MPERS's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account and earn interest at the money market rate.

3. Initial Benefit Option Plan (IBO):

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

Cost of Living Adjustments:

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

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

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

Louisiana State Employees' Retirement System

Eligibility Requirements:

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Benefits:

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

1. Retirement Benefits:

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

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

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

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

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

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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

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

2. Deferred Retirement Option Plan (DROP) Benefits:

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

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

3. Disability Benefits:

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

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

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

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

4. Survivor's Benefits:

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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

Cost of Living Adjustments:

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

Firefighters' Retirement System of Louisiana

Eligibility Requirements:

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

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

Benefits:

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

1. Retirement Benefits:

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

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

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

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

2. Death Benefits:

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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

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

3. Disability Benefits:

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

4. Deferred Retirement Option Plan (DROP) Benefits:

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

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

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

5. Initial Benefit Option Plan (IBO):

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

Contributions

Municipal Employees' Retirement System of Louisiana Plan A

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2017, the actual employer and employee contribution rates for Plan A were 22.75% and 9.50%, respectively. Contributions to MERS Plan A from the City were \$289,981 for the year ended June 30, 2017.

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

Municipal Police Employees' Retirement System

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

For the year ended June 30, 2017, total contributions due from employers and employees was 41.75%. The employer and employee contribution rates for members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 31.75% and 10%, respectively. The employer and employee contribution rates for all Non Hazardous Duty members hired after January 1, 2013 were 33.75% and 8%, respectively. The employer and employee contribution rates for members whose earnable compensation is less than or equal to the poverty guidelines issued by the U.S. Department of Health and Human Services were 34.25% and 7.5%, respectively. Contributions to MPERS from the City were \$89,368 for the year ended June 30, 2017.

MPERS also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2017 and excluded from pension expense.

Louisiana State Employees' Retirement System

Employee contribution rates for LASERS are established by LRS 11:62. The employer contribution rates are established annually under LRS 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of LASERS's Actuary. Each plan pays a separate actuarially determined employer contribution rate. However, all assets of LASERS are used for the payment of benefits for all classes of members, regardless of their plan membership. The employer contribution rate for elected judges hired after December 31, 2010 for the year ended June 30, 2017 was 36.7%. Contributions to LASERS from the City were \$7,653 for the year ended June 30, 2017.

Firefighters' Retirement System of Louisiana

Employer contributions are actuarially determined each year. For the year ended June 30, 2017, employer and employee contributions for members above the poverty line were 25.25% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 27.25% and 8.0%, respectively. Contributions to FFRS from the City were \$36,044 for the year ended June 30, 2017.

FFRS also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions were recognized as revenue during the year ended June 30, 2017 and excluded from pension expense.

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

At April 30, 2018, the City reported liabilities in its government-wide financial statements of \$3,532,534 and \$646,598 in its governmental activities and its business-type activities, respectively for its proportionate share of the Net Pension Liabilities of MERS, MPERS,

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

LASERS, and FFRS. The Net Pension Liabilities were measured as of June 30, 2017 and the total pension liability used to calculate the Net Position Obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. The City's proportion of the MERS and MPERS Net Pension Liabilities was based on each employer's contributions to MERS and MPERS during the fiscal year ended June 30, 2017 as compared to the total of all employers' contributions received by MERS and MPERS during the fiscal year ended June 30, 2017. The City's proportion of the LASERS Net Pension Liability was based on a projection of the City's long-term share of contributions to LASERS relative to the projected contributions of all participating employers, actuarially determined. The City's proportion of the FFRS Net Pension Liability was based on each employer's contributions to FFRS during the fiscal year ended June 30, 2017 as compared to the total of all combined contributions received by FFRS during the fiscal year ended June 30, 2017.

At June 30, 2017, the City's proportion of MERS's Net Pension Liability was 0.701866%, which was a decrease of 0.124359% from its proportion measured as of June 30, 2016. At June 30, 2017, the City's proportion of MPERS's Net Pension Liability was 0.093529%, which was a decrease of 0.025808% from its proportion measured as of June 30, 2016. At June 30, 2017, the City's proportion of LASERS's Net Pension Liability was 0.001080%, which was an increase of 0.000030% from its proportion measured as of June 30, 2016. At June 30, 2017, the City's proportion of FFRS's Net Pension Liability was 0.061138%, which was a decrease of 0.013222% from its proportion measured as of June 30, 2016.

For the year ended April 30, 2018, the City recognized pension expense of \$549,604 and \$97,660 in its governmental activities and its business-type activities, respectively.

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

At April 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,347	\$ 96,965	\$ -	\$ 19,674
Changes of assumptions	111,355	84	10,801	-
Net difference between projected and actual earnings on pension plan investments	530,192	-	130,260	-
Changes in proportion	185,212	484,727	-	69,769
Differences between employer contributions and proportionate share of contributions	1,202	3,831	-	162
Employer contributions subsequent to the measurement date	<u>325,574</u>	<u>-</u>	<u>65,964</u>	<u>-</u>
Total	<u>\$ 1,158,882</u>	<u>\$ 585,607</u>	<u>\$ 207,025</u>	<u>\$ 89,605</u>

\$391,538 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended April 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending April 30,	Governmental Activities	Business-Type Activities	Total
2019	\$ 26,450	\$ (5,593)	\$ 20,857
2020	139,154	22,943	162,097
2021	105,013	28,263	133,276
2022	(16,209)	5,843	(10,366)
2023	2,256	-	2,256
2024	<u>(8,963)</u>	<u>-</u>	<u>(8,963)</u>
Total	<u>\$ 247,701</u>	<u>\$ 51,456</u>	<u>\$ 299,157</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Municipal Employees' Retirement System of Louisiana Plan A

Actuarial Cost Method	Entry Age Normal Cost
Actuarial Cost Assumptions:	
Expected Remaining	
Service Lives	3 years
Investment Rate of Return	7.40%
Inflation Rate	2.775%
Projected Salary Increases	5.0%, including inflation and merit increases
Mortality Rates	RP-2000 Employees Sex Distinct Table for active members (set back 2 years for males and females) RP-2000 Healthy Annuitant Sex Distinct Mortality Tables for healthy annuitants (set forward 2 years for males and 1 year for females) projected to 2028 using scale AA RP-2000 Disabled Lives Mortality Table for disabled annuitants (set back 5 years for males and 3 years for females)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by MERS and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an experience study for the period July 1, 2009 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return was 7.2% for the year ended June 30, 2017.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Best estimates of arithmetic real rates of return for each major asset class included in MERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50.00%	2.30%
Public fixed income	35.00%	1.60%
Alternatives	<u>15.00%</u>	<u>0.70%</u>
Totals	100.00%	4.60%
Inflation		<u>2.60%</u>
Expected Arithmetic Nominal Return		<u>7.20%</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Municipal Police Employees' Retirement System

Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Cost Assumptions:		
Expected Remaining		
Service Lives	4 years	
Investment Rate of Return	7.325%, net of investment expense	
Inflation Rate	2.700%	
Salary Increases, including		
inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Mortality Rates	RP-2000 Employee Table for active members (set back 4 years for males and 3 years for females)	
	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale A for healthy annuitants (set back 1 year for females)	
	RP-2000 Disabled Lives Table for disabled annuitants (set back 5 years for males and 3 years for females)	
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by MPERS and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

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

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 8.19% for the year ended June 30, 2017.

Best estimates of arithmetic nominal rates of return for each major asset class included in MPERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	53.00%	3.66%
Fixed income	21.00%	0.52%
Alternative	20.00%	1.10%
Other	<u>6.00%</u>	<u>0.16%</u>
Totals	100.00%	5.44%
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>8.19%</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Louisiana State Employees' Retirement System

Actuarial Cost Method	Entry Age Normal																					
Actuarial Cost Assumptions:																						
Expected Remaining																						
Service Lives	3 years																					
Investment Rate of Return	7.70% per annum, net of investment expense*																					
Inflation Rate	2.75% per annum																					
Salary Increases	Salary increases were projected based on a 2009-2013 experience study of LASERS's members. The salary increase ranges for specific types of members are:																					
	<table border="0"> <tr> <td></td> <td style="text-align: center;">Lower</td> <td style="text-align: center;">Upper</td> </tr> <tr> <td style="text-align: center;"><u>Member Type</u></td> <td style="text-align: center;"><u>Range</u></td> <td style="text-align: center;"><u>Range</u></td> </tr> <tr> <td>Regular</td> <td style="text-align: center;">3.8%</td> <td style="text-align: center;">12.8%</td> </tr> <tr> <td>Judges</td> <td style="text-align: center;">2.8%</td> <td style="text-align: center;">5.3%</td> </tr> <tr> <td>Corrections</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> <tr> <td>Hazardous Duty</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> <tr> <td>Wildlife</td> <td style="text-align: center;">3.4%</td> <td style="text-align: center;">14.3%</td> </tr> </table>		Lower	Upper	<u>Member Type</u>	<u>Range</u>	<u>Range</u>	Regular	3.8%	12.8%	Judges	2.8%	5.3%	Corrections	3.4%	14.3%	Hazardous Duty	3.4%	14.3%	Wildlife	3.4%	14.3%
	Lower	Upper																				
<u>Member Type</u>	<u>Range</u>	<u>Range</u>																				
Regular	3.8%	12.8%																				
Judges	2.8%	5.3%																				
Corrections	3.4%	14.3%																				
Hazardous Duty	3.4%	14.3%																				
Wildlife	3.4%	14.3%																				
Mortality Rates	RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015 for non-disabled members RP-2000 Disabled Retiree Mortality Table with no projection for mortality improvement for disabled members																					
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five year (2009-2013) experience study of LASERS's members.																					
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by LASERS and includes previously granted cost of living increases. The projected benefit payments do not include provisions for the potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																					

*The investment rate of return used in the actuarial valuation for funding purposes was 8.16%, recognizing an additional 40 basis points for gain-sharing and 15 basis points to offset administrative expenses.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 8.69% for 2017.

Best estimates of geometric real rates of return for each major asset class included in LASERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash	0.00%	-0.24%
Domestic equity	25.00%	4.31%
International equity	32.00%	5.35%
Domestic fixed income	8.00%	1.73%
International fixed income	6.00%	2.49%
Alternative investments	22.00%	7.41%
Global tactical asset allocation	<u>7.00%</u>	2.84%
Totals	<u>100.00%</u>	5.26%

Firefighters' Retirement System of Louisiana

Actuarial Cost Method	Entry Age Normal Cost
Actuarial Cost Assumptions:	
Expected Remaining	
Service Lives	7 years
Investment Rate of Return	7.40% per annum (net of fees)
Inflation Rate	2.775% per annum
Salary Increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Mortality Rates	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA for employees, healthy annuitants, and beneficiaries RP-2000 Disabled Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)
Cost of Living Adjustments	Only those previously granted

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

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

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.75%. The resulting long term expected arithmetic nominal rate of return was 8.29% as of June 30, 2017.

Best estimates of arithmetic real rates of return for each major asset class included in FFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity:		
U.S. Equity	27.00%	6.15%
Non-U.S. Equity	20.00%	7.45%
Global Equity	10.00%	6.85%
Fixed Income	23.00%	2.04%
Alternatives:		
Real Estate	6.00%	4.62%
Private Equity	4.00%	8.73%
Multi-Asset Strategies:		
Global Tactical Asset Allocation	5.00%	4.40%
Risk Parity	<u>5.00%</u>	<u>4.79%</u>
Totals	100.00%	5.54%
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u><u>8.29%</u></u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Discount Rate

Municipal Employees' Retirement System of Louisiana Plan A

The discount rate used to measure the total pension liability was 7.4% for the year ended June 30, 2017, which was 0.1% less than the discount rate used to measure the total pension liability at June 30, 2016.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, MERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Municipal Police Employees' Retirement System

The discount rate used to measure the total pension liability was 7.325% for the year ended June 30, 2017, which was 0.175% less than the discount rate used to measure the total pension liability at June 30, 2016.

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

Louisiana State Employees' Retirement System

The discount rate used to measure the total pension liability was 7.70% for the year ended June 30, 2017, which was 0.05% less than the discount rate used to measure the total pension liability at June 30, 2016.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of LASERS's actuary. Based on those assumptions, LASERS's fiduciary net position was projected to be available to make all

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Firefighters' Retirement System of Louisiana

The discount rate used to measure the total pension liability was 7.4% for the year ended June 30, 2017, which was 0.1% less than the discount rate used to measure the total pension liability at June 30, 2016.

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

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

Municipal Employees' Retirement System of Louisiana Plan A

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.4%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of June 30, 2017:

	1.0% Decrease	Current Discount Rate	1.0% Increase
	6.40%	7.40%	8.40%
City's proportionate share of the net pension liability	\$ 3,741,697	\$ 2,936,201	\$ 2,249,136

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Municipal Police Employees' Retirement System

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.325%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of June 30, 2017:

	1.0% Decrease	Current	1.0% Increase
	6.325%	Discount Rate	8.325%
	6.325%	7.325%	8.325%
City's proportionate share of the net pension liability	\$ 1,128,139	\$ 816,548	\$ 555,145

Louisiana State Employees' Retirement System

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.70%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of June 30, 2017:

	1.0% Decrease	Current	1.0% Increase
	6.70%	Discount Rate	8.70%
	6.70%	7.70%	8.70%
City's proportionate share of the net pension liability	\$ 95,345	\$ 75,949	\$ 59,457

Firefighters' Retirement System of Louisiana

The following presents the City's proportionate share of the net pension liability using the discount rate of 7.4%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of June 30, 2017:

	1.0% Decrease	Current	1.0% Increase
	6.40%	Discount Rate	8.40%
	6.40%	7.40%	8.40%
City's proportionate share of the net pension liability	\$ 503,560	\$ 350,434	\$ 221,709

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 EMPLOYEE RETIREMENT (CONTINUED)

Support of Non-employer Contributing Entities

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The City recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended April 30, 2018, the City recognized revenue of \$67,025 and \$9,504 in its governmental activities and its business type activities, respectively as a result of support received from non-employer contributing entities for its participation in MERS, MPERS, and FFRS.

Pension Plan Fiduciary Net Position

Municipal Employees' Retirement System of Louisiana Plan A

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

Municipal Police Employees' Retirement System

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

Louisiana State Employees' Retirement System

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

Firefighters' Retirement System of Louisiana

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

Social Security Contributions

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

NOTE 13 CITY OF FRANKLIN FUNDED PENSION PLAN

Plan description

Prior to 1976, the City had its own pension plan covering eligible employees. The City is still paying retirement benefits from City funds to an eligible spouse of a retired member in

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 13 CITY OF FRANKLIN FUNDED PENSION PLAN (CONTINUED)

accordance with the policies, terms, and rates of the Franklin Police Retirement System which was in effect prior to joining the state system. The City is funding the pension costs when benefits are paid to this spouse.

Funding policy

At April 30, 2018, there were no pension assets, deferred outflows of resources or deferred inflows of resources related to this pension plan. Adjustments to the pension liability for changes in benefit terms, differences between actual and expected experiences, and the changes of assumptions or other input is recognized in the current year because the member is retired and the average expected remaining service life is zero. No funds have been accumulated, nor are any funds expected to be accumulated for the payment of these benefits. All benefits are paid directly by the City as they come due.

Annual pension cost and total pension liability

For the year ended April 30, 2018, an actuarial valuation was performed to determine the City's annual required contribution (ARC) and the net pension obligation (NPO).

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

Annual required contribution	\$ 7,645
Interest on net pension obligation	1,331
Adjustment to annual required contribution	<u>(3,456)</u>
Net annual pension costs	5,520
Contributions made	<u>(7,422)</u>
Decrease in net pension obligation	(1,902)
Net pension obligation - beginning of year	<u>43,494</u>
Net pension obligation - end of year	<u>\$ 41,592</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 13 CITY OF FRANKLIN FUNDED PENSION PLAN (CONTINUED)

Actuarial methods and assumptions

The ARC for the plan was determined as part of the April 30, 2018 actuarial valuation using the following methods and assumptions:

Valuation date	April 30, 2018
Actuarial cost method	Projected unit credit
Asset valuation method	Market value of assets
Inflation rate	None
Long term rate of return	3.00%
Remaining amortization period	6.84 years based on 18AF - 2018 Annuitant (female) mortality tables

A 3.00% discount rate was used to calculate the ARC at April 30, 2018.

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

NOTE 14 RISK MANAGEMENT

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

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

The City is insured up to policy limits for each of the above risks. There were no significant changes in coverage, retentions, or limits during the year ended April 30, 2018. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

NOTE 15 PENDING LITIGATION

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

NOTE 16 FUND BALANCES

Fund balances are classified as follows:

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 16 FUND BALANCES (CONTINUED)

Restricted Fund Balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

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

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

The following is a schedule of fund balances as of April 30, 2018:

	<u>General Fund</u>	<u>Liquid and Solid Waste Fund</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid Expenses	\$ 72,486	\$ 18,005	\$ -	\$ 90,491
Perpetual Care	32,904	-	-	32,904
Restricted:				
Debt Service	-	-	182,827	182,827
School Lunch Program	-	-	156	156
Drug Enforcement	-	-	21,128	21,128
Committed:				
Sewer Operations	-	3,355,563	-	3,355,563
Assigned:				
Protest Taxes Escrow	1,414	-	-	1,414
Police Operations	29,650	-	-	29,650
Unassigned	<u>1,049,674</u>	<u>-</u>	<u>(11,569)</u>	<u>1,038,105</u>
Total fund balances	<u>\$ 1,186,128</u>	<u>\$ 3,373,568</u>	<u>\$ 192,542</u>	<u>\$ 4,752,238</u>

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 16 FUND BALANCES (CONTINUED)

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

NOTE 17 COMPENSATION OF CITY COUNCIL MEMBERS

Compensation paid to members of the City Council for the year ended April 30, 2018 was as follows:

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

NOTE 18 COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD

Agency Head Name: Mayor Raymond Harris, Jr.

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 45,600
Benefits - retirement	11,100
Car allowance	5,850
Cell phone	420
Unvouchered expenses (Expense Allowance)	<u>1,289</u>
Total	<u>\$ 64,259</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule
 General Fund
 Year Ended April 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 518,000	\$ 498,000	\$ 497,595	\$ (405)
Interest and notices on ad valorem taxes	4,100	3,870	4,662	792
Sales	1,395,000	1,467,050	1,570,700	103,650
Franchise fees	400,000	400,000	422,593	22,593
Intergovernmental:				
Beer taxes	8,500	8,500	8,473	(27)
Video poker	175,000	160,000	190,621	30,621
Indian gaming	37,000	37,000	42,000	5,000
State grants	50,000	70,000	100,100	30,100
Federal grants	200,000	150,000	141,493	(8,507)
St. Mary Parish Council	190,000	210,000	181,284	(28,716)
Other governments	63,000	78,000	60,361	(17,639)
Licenses and permits	326,000	366,000	393,497	27,497
Fines and forfeitures	81,000	86,000	73,335	(12,665)
Rentals	60,000	58,000	55,895	(2,105)
Investment earnings	2,200	2,200	2,520	320
Miscellaneous:				
Cemetery plot sales	25,000	22,000	21,053	(947)
Mausoleum sales	25,000	40,000	45,175	5,175
Other sources	43,000	74,715	176,434	101,719
Total revenues	<u>3,602,800</u>	<u>3,731,335</u>	<u>3,987,791</u>	<u>256,456</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General Government -				
Administrative	\$ 261,930	\$ 261,965	\$ 291,974	\$ (30,009)
Judicial	282,900	297,600	333,663	(36,063)
Public Safety -				
Police	1,249,070	1,201,370	1,249,926	(48,556)
Fire	529,900	554,250	644,777	(90,527)
Public works -				
Streets and drainage	571,100	602,700	626,090	(23,390)
Other funding	203,200	271,300	287,566	(16,266)
Recreation	235,700	238,100	269,853	(31,753)
Community development	132,000	125,050	136,371	(11,321)
Debt Service -				
Principal	75,000	75,000	77,118	(2,118)
Interest and fiscal charges	50,000	50,000	57,410	(7,410)
Capital Outlay -				
Police	12,000	44,000	164,956	(120,956)
Public works	-	7,000	74,562	(67,562)
Recreation	-	4,000	10,008	(6,008)
Total expenditures	<u>3,602,800</u>	<u>3,732,335</u>	<u>4,224,274</u>	<u>(491,939)</u>
Excess (deficiency) of revenues over expenditures	-	(1,000)	(236,483)	(235,483)
Other financing sources (uses):				
Proceeds from capital lease	-	-	184,812	184,812
Transfers in	-	9,000	9,000	-
Transfers out	-	(8,000)	(7,553)	447
Total other financing sources (uses)	<u>-</u>	<u>1,000</u>	<u>186,259</u>	<u>185,259</u>
Change in fund balance	-	-	(50,224)	(50,224)
Fund balance, beginning	<u>1,236,352</u>	<u>1,236,352</u>	<u>1,236,352</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,236,352</u>	<u>\$ 1,236,352</u>	<u>\$ 1,186,128</u>	<u>\$ (50,224)</u>

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule
Liquid and Solid Waste Fund
Year Ended April 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 218,000	\$ 211,000	\$ 210,755	\$ (245)
Sales	830,000	800,000	883,457	83,457
Intergovernmental:				
St. Mary Parish Council	195,000	170,000	132,626	(37,374)
Charges for services:				
Sewer user fees	240,000	253,000	235,819	(17,181)
Garbage and landfill fees	575,000	620,000	567,056	(52,944)
Investment earnings	400	400	265	(135)
Miscellaneous	-	125	-	(125)
Total revenues	<u>2,058,400</u>	<u>2,054,525</u>	<u>2,029,978</u>	<u>(24,547)</u>
Expenditures:				
Sanitation:				
Administrative	308,285	301,265	317,568	(16,303)
Solid waste department	593,000	593,000	599,639	(6,639)
Sewer collection	283,900	357,330	384,665	(27,335)
Sewer plant	550,700	498,800	475,929	22,871
Meter department	54,450	45,500	45,272	228
Capital Outlay -				
Sewer collection	20,000	2,000	2,654	(654)
Sewer plant	-	4,000	-	4,000
Total expenditures	<u>1,810,335</u>	<u>1,801,895</u>	<u>1,825,727</u>	<u>(23,832)</u>
Excess (deficiency) of revenues over expenditures	248,065	252,630	204,251	(48,379)
Other financing uses				
Bond proceeds	-	300,000	152,766	(147,234)
Transfers out	<u>(58,800)</u>	<u>(361,800)</u>	<u>(204,796)</u>	<u>157,004</u>
Total other financing sources (uses)	<u>(58,800)</u>	<u>(61,800)</u>	<u>(52,030)</u>	<u>9,770</u>
Change in fund balance	189,265	190,830	152,221	(38,609)
Fund balance, beginning	<u>3,221,347</u>	<u>3,221,347</u>	<u>3,221,347</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,410,612</u>	<u>\$ 3,412,177</u>	<u>\$ 3,373,568</u>	<u>\$ (38,609)</u>

See accompanying notes to the required supplementary information.

CITY OF FRANKLIN, LOUISIANA

Schedule of Proportionate Share of Net Pension Liability
Municipal Employees' Retirement System of Louisiana Plan A
Year Ended April 30, 2018

Year Ended June 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.883401%	\$ 3,155,647	\$ 1,497,323	210.75%	66.18%
2016	0.826225%	3,386,457	1,478,889	228.99%	62.11%
2017	0.701866%	2,936,201	1,274,736	230.34%	62.49%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Proportionate Share of Net Pension Liability
Municipal Police Employees' Retirement System
Year Ended April 30, 2018

Year Ended June 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.109510%	\$ 857,896	\$ 280,975	305.33%	70.73%
2016	0.119337%	1,118,524	326,744	342.32%	66.04%
2017	0.093529%	816,548	248,195	328.99%	70.08%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Proportionate Share of Net Pension Liability
Louisiana State Employees' Retirement System
Year Ended April 30, 2018

Year Ended June 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.001220%	\$ 83,114	\$ 21,952	378.62%	62.66%
2016	0.001050%	82,452	22,374	368.52%	57.73%
2017	0.001080%	75,949	20,854	364.19%	62.54%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Proportionate Share of Net Pension Liability
 Firefighters' Retirement System of Louisiana
 Year Ended April 30, 2018

Year Ended June 30	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.057994%	\$ 313,000	\$ 114,242	273.98%	72.45%
2016	0.074360%	486,382	169,997	286.11%	68.16%
2017	0.061138%	350,434	139,455	251.29%	73.55%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Contributions
Municipal Employees' Retirement System of Louisiana Plan A
Year Ended April 30, 2018

Year Ended April 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2016	\$ 285,688	\$ 286,869	\$ (1,181)	\$ 1,446,519	19.83%
2017	290,697	289,495	1,202	1,306,502	22.16%
2018	311,197	316,125	(4,928)	1,295,530	24.40%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Contributions
Municipal Police Employees' Retirement System
Year Ended April 30, 2018

<u>Year Ended April 30</u>	<u>Statutorily required contribution</u>	<u>Contributions relative to statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2016	\$ 78,612	\$ 86,433	\$ (7,821)	\$ 263,503	32.80%
2017	97,271	96,746	525	310,028	31.21%
2018	80,617	80,587	30	260,755	30.91%

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Contributions
Louisiana State Employees' Retirement System
Year Ended April 30, 2018

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

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Contributions
 Firefighters' Retirement System of Louisiana
 Year Ended April 30, 2018

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Required Supplementary Information

Notes to the budgetary comparison schedules:

NOTE 1 BASIS OF ACCOUNTING

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

NOTE 2 BUDGETARY PRACTICES

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

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

CITY OF FRANKLIN, LOUISIANA

Notes to the Required Supplementary Information

Notes to the retirement systems schedules:

NOTE 3 CHANGES OF BENEFIT TERMS

Municipal Employees' Retirement System of Louisiana Plan A

Act 23 of the 2017 Regular Session of the Louisiana Legislature reduces the number of trustees who are members but not elected officials from three to two and adds a retired member of the system. It also provides that the retired membership of the system shall elect the trustee who is a retired member of the system. In addition, the act sets the existing six year, staggered term for trustees who are members of the system to be applicable to the retiree trustee as well.

Act 285 of the 2017 Regular Session of the Louisiana Legislature provides a framework to correct enrollment errors for all employees in positions covered by state and statewide retirement systems. The act requires the member to be enrolled in the correct system with a transfer of contributions and interest from the erroneous system to the correct system. As a part of the correction of the enrollment error, the member will be credited with the correct service credit, accrual rate, and employee contribution balance in the correct system. If the correction occurs within three years of the enrollment error, the correct system shall complete the correction upon receipt of the employee contributions and employer contributions that would have been paid had the member been properly enrolled with interest at the system's board-approved actuarial valuation interest rate. If the correction occurs more than three years after the enrollment error, the correct system shall receive the greater of 1) Employee contributions and employer contributions plus interest, and 2) The actuarial cost to the correct system of the service credit transferred. The employer must pay the difference between the amount transferred from the incorrect system to the correct system and the cost of the correction.

Act 314 of the 2017 Regular Session of the Louisiana Legislature provides that if a retiree returns to work on or after July 1, 2017, for at least 35 hours per week (full-time), his retirement benefit shall be suspended, and he shall become a member of the system. Upon termination of service, the system shall resume payment of the reemployed retiree's original benefit. In addition, the act provides that if a full-time reemployed retiree works for a period of at least 12 months, he shall accrue a supplemental benefit calculated using his period of service and salary during reemployment. If the reemployed retiree works less than 12 months, he shall not receive a supplemental benefit and his employee contributions shall returned without interest upon termination of service. The act also limits the supplemental benefit so that when combined with the original benefit it shall not exceed the final compensation figure used to compute the supplemental benefit.

Act 366 of the 2017 Regular Session of the Louisiana Legislature made individuals appointed or elected on or after July 1, 2017 ineligible to serve as trustee on the Board for any state or statewide retirement system if found in violation of the Code of Governmental Ethics for

CITY OF FRANKLIN, LOUISIANA

Notes to the Required Supplementary Information

Notes to the retirement systems schedules (Continued):

NOTE 3 CHANGES OF BENEFIT TERMS (CONTINUED)

actions involving the misuse of public funds. In addition, the act clarified that legislative staff is authorized to attend executive sessions and that they enjoy lawyer-client privilege for information related to the executive session.

Municipal Police Employees' Retirement System

See Act 285 and Act 366 above.

Louisiana State Employees' Retirement System

See Act 285 and Act 366 above.

Firefighters' Retirement System of Louisiana

See Act 285 and Act 366 above.

NOTE 4 CHANGES OF ASSUMPTIONS

Municipal Employees' Retirement System of Louisiana Plan A

The investment rate of return decreased from 7.5% to 7.4% since the previous valuation. The inflation rate also decreased from 2.875% to 2.775% since the previous valuation.

Municipal Police Employees' Retirement System

The investment rate of return decreased from 7.500% to 7.325% since the previous valuation. The inflation rate also decreased from 2.875% to 2.700% since the previous valuation.

Louisiana State Employees' Retirement System

The investment rate of return decreased from 7.75% to 7.70% since the previous valuation. The inflation rate also decreased from 3.00% to 2.75% since the previous valuation.

Firefighters' Retirement System of Louisiana

The investment rate of return decreased from 7.5% to 7.4% since the previous valuation. The inflation rate also decreased from 2.875% to 2.775% since the previous valuation.

SUPPLEMENTAL INFORMATION

CITY OF FRANKLIN, LOUISIANA

Combining Balance Sheet
 Nonmajor Governmental Funds
 April 30, 2018

	Special Revenue			Capital Projects	Debt Service
	Summer Feeding Program Fund	Revolving Loan Fund	Narcotic Aid Fund	Capital Outlay Fund	Equipment Lease Fund
ASSETS					
Cash and interest bearing deposits	\$ 156	\$ -	\$ 21,128	\$ 6,198	\$ 1,063
Due from other governments	-	-	-	4,935	-
Total assets	<u>\$ 156</u>	<u>\$ -</u>	<u>\$ 21,128</u>	<u>\$ 11,133</u>	<u>\$ 1,063</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 7,402	\$ -
Due to other funds	-	-	-	15,300	-
Total liabilities	-	-	-	22,702	-
Fund balances:					
Restricted	156	-	21,128	-	1,063
Unassigned	-	-	-	(11,569)	-
Total fund balances	<u>156</u>	<u>-</u>	<u>21,128</u>	<u>(11,569)</u>	<u>1,063</u>
Total liabilities and fund balances	<u>\$ 156</u>	<u>\$ -</u>	<u>\$ 21,128</u>	<u>\$ 11,133</u>	<u>\$ 1,063</u>

Debt Service (Continued)

2000 Water and Sewer Revenue Bond Sinking Fund	2000 Water and Sewer Revenue Bond Reserve Fund	2000 Water and Sewer System Renewal and Replacement Fund	Total Nonmajor Governmental Funds
\$ 51,143	\$ 55,163	\$ 75,458	\$ 210,309
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,935</u>
<u>\$ 51,143</u>	<u>\$ 55,163</u>	<u>\$ 75,458</u>	<u>\$ 215,244</u>
\$ -	\$ -	\$ -	\$ 7,402
<u>-</u>	<u>-</u>	<u>-</u>	<u>15,300</u>
-	-	-	22,702
51,143	55,163	75,458	204,111
<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,569)</u>
<u>51,143</u>	<u>55,163</u>	<u>75,458</u>	<u>192,542</u>
<u>\$ 51,143</u>	<u>\$ 55,163</u>	<u>\$ 75,458</u>	<u>\$ 215,244</u>

CITY OF FRANKLIN, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended April 30, 2018

	Special Revenue			Capital Projects	Debt Service
	Summer Feeding Program Fund	Revolving Loan Fund	Narcotic Aid Fund	Capital Outlay Fund	1998 Sales Tax Fire Equipment Sinking Fund
Revenues:					
Intergovernmental					
Federal sources	\$ 44,368	\$ -	\$ -	\$ -	\$ -
Other sources	-	-	-	11,299	-
Charges for services	-	-	18,430	-	-
Investment earnings	-	5	8	34	1
Total revenues	44,368	5	18,438	11,333	1
Expenditures:					
Current -					
Public safety:					
Police	-	-	12,829	-	-
Food services	47,561	-	-	-	-
Miscellaneous	-	117,703	-	40,960	-
Capital outlay	-	-	-	152,322	-
Debt Service -					
Principal	-	-	-	-	6,809
Interest	-	-	-	-	1,425
Total expenditures	47,561	117,703	12,829	193,282	8,234
Excess (deficiency) of revenues over expenditures	(3,193)	(117,698)	5,609	(181,949)	(8,233)
Other financing sources (uses)					
Transfers in	4,553	-	-	142,996	9,000
Transfers out	(9,000)	-	-	-	-
Total other financing sources (uses)	(4,447)	-	-	142,996	9,000
Change in fund balances	(7,640)	(117,698)	5,609	(38,953)	767
Fund balances, beginning	7,796	117,698	15,519	27,384	296
Fund balances, ending	\$ 156	\$ -	\$ 21,128	\$ (11,569)	\$ 1,063

Debt Service (Continued)

2000 Water and Sewer Revenue Bond Sinking Fund	2000 Water and Sewer Revenue Bond Reserve Fund	2000 Water and Sewer System Renewal and Replacement Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 44,368
-	-	-	11,299
-	-	-	18,430
<u>30</u>	<u>-</u>	<u>-</u>	<u>78</u>
30	-	-	74,175
-	-	-	12,829
-	-	-	47,561
-	-	-	158,663
-	-	-	152,322
48,000	-	-	54,809
<u>6,248</u>	<u>-</u>	<u>-</u>	<u>7,673</u>
<u>54,248</u>	<u>-</u>	<u>-</u>	<u>433,857</u>
(54,218)	-	-	(359,682)
58,800	-	-	215,349
<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,000)</u>
<u>58,800</u>	<u>-</u>	<u>-</u>	<u>206,349</u>
4,582	-	-	(153,333)
<u>46,561</u>	<u>55,163</u>	<u>75,458</u>	<u>345,875</u>
<u>\$ 51,143</u>	<u>\$ 55,163</u>	<u>\$ 75,458</u>	<u>\$ 192,542</u>

**INTERNAL CONTROL
AND
COMPLIANCE**



**Darnall, Sikes
& Frederick**

(A Corporation of Certified Public Accountants)

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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* (Emeritus)

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Franklin, Louisiana (hereinafter, "City"), as of and for the year ended April 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 9, 2018. Our report includes a reference to other Certified Public Accountants who reviewed the financial statements of the City Court of the City of Franklin and the Ward Three Marshal of the Parish of St. Mary, as described in our report on the City's financial statements. This report does not include the results of the other Certified Public Accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those Certified Public Accountants.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-001.

City of Franklin, Louisiana's Response to Finding

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

Purpose of this Report

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

Dannall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

October 9, 2018

CITY OF FRANKLIN, LOUISIANA

Summary Schedule of Prior Year Findings
Year Ended April 30, 2018

Section I Internal Control and Compliance Material to the Financial Statements

2017-001 Noncompliance with the Louisiana Local Government Budget Act

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

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

Status: This finding is unresolved. See current year finding 2018-001.

2017-002 Misappropriation of Public Funds

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

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

Status: This finding has been resolved.

CITY OF FRANKLIN, LOUISIANA

Summary Schedule of Prior Year Findings (Continued)
Year Ended April 30, 2018

Section II Internal Control and Compliance Material to the Federal Awards

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

Section III Management Letter

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Responses
Year Ended April 30, 2018

Part 1 Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on the primary government's governmental activities, business-type activity, and each major fund financial statements as of and for the year ended April 30, 2018.

Deficiencies in Internal Control - Financial Reporting

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

Material Noncompliance - Financial Reporting

The results of our tests disclosed one instance of noncompliance which is required to be reported under *Government Auditing Standards* and is listed as item 2018-001 in Part 2.

FEDERAL AWARDS

This section is not applicable for the year ended April 30, 2018.

MANAGEMENT LETTER

A separate management letter was not issued for the year ended April 30, 2018.

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

2018-001 Noncompliance with the Louisiana Local Government Budget Act

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

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

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Responses (Continued)
Year Ended April 30, 2018

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

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

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

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Responses (Continued)
Year Ended April 30, 2018

Part 3 Findings and Questioned Costs Relating to Federal Programs

At April 30, 2018, the City of Franklin, Louisiana did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore, this section is not applicable.

CITY OF FRANKLIN, LOUISIANA

Management's Corrective Action Plan for Current Year Findings
Year Ended April 30, 2018

2018-001 Noncompliance with the Louisiana Local Government Budget Act

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

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF FRANKLIN, LOUISIANA

Schedule of Changes in Assets Related to
2000 Water and Sewer Revenue Bond Debt Service
Year Ended April 30, 2018

	2000 Water & Sewer Renewal & Replacement Fund in the Utility Fund	<u>Sinking Fund</u> 2000 Water & Sewer Revenue Bonds	<u>Reserve Fund</u> 2000 Water & Sewer Revenue Bonds
Cash, May 1, 2017	\$ 75,458	\$ 46,561	\$ 55,163
Cash receipts:			
Interest earned on account	-	30	-
Transfer from operating account	-	<u>58,800</u>	-
Total cash receipts	-	58,830	-
Cash disbursements:			
Interest and bank charges	-	6,248	-
Principal payments	-	<u>48,000</u>	-
Total cash disbursements	-	<u>54,248</u>	-
Cash, April 30, 2018	<u>\$ 75,458</u>	<u>\$ 51,143</u>	<u>\$ 55,163</u>

CITY OF FRANKLIN, LOUISIANA

Schedule of Changes in Assets Related to
2009 Water and Sewer Revenue Bond Debt Service
Year Ended April 30, 2018

	2009B Water & Sewer Contingency Fund in the Utility Fund	Sinking Fund 2009B Water & Sewer Revenue Bonds	Reserve Fund 2009B Water & Sewer Revenue Bonds
Cash, May 1, 2017	\$ 595,024	\$ 164,586	\$ 154,357
Cash receipts:			
Interest earned on account	505	368	306
Transfer from operating account	<u>311,000</u>	<u>150,000</u>	<u>-</u>
Total cash receipts	311,505	150,368	306
Cash disbursements:			
Interest and bank charges	77,078	34,619	-
Principal payments	293,319	89,000	-
Payments for capital additions	47,445	-	-
Transfer to operating account	<u>-</u>	<u>125,000</u>	<u>-</u>
Total cash disbursements	<u>417,842</u>	<u>248,619</u>	<u>-</u>
Cash, April 30, 2018	<u>\$ 488,687</u>	<u>\$ 66,335</u>	<u>\$ 154,663</u>

CITY OF FRANKLIN, LOUISIANA
 Schedule of Sewerage Rates and Billings
 (Unaudited)
 Year Ended April 30, 2018

		Billing Amounts
May 2017	Fee based on consumption	\$ 14,046
June 2017		19,079
July 2017		22,545
August 2017		20,431
September 2017		19,731
October 2017		18,433
November 2017		20,632
December 2017		18,976
January 2018		19,572
February 2018		23,540
March 2018		17,223
April 2018		18,351
		\$ 232,559

The number of system users at the end of the fiscal year was 2,886.
 The average monthly billing per user was \$6.72.

The fee effective through May 31, 2017, is based on water consumption set at:
 \$1.60 minimum up to 1,999 gallons.
 \$1.20 per 1,000 gallons thereafter.

The fee effective as of June 1, 2017, is based on water consumption set at:
 \$2.60 minimum up to 1,999 gallons.
 \$1.20 per 1,000 gallons thereafter.

CITY OF FRANKLIN, LOUISIANA

Schedule of Water Rates and Billings
(Unaudited)
Year Ended April 30, 2018

		<u>Billing Amounts</u>
May 2017	Fee based on consumption	\$ 108,255
June 2017		119,966
July 2017		137,753
August 2017		128,870
September 2017		124,495
October 2017		116,550
November 2017		129,724
December 2017		118,433
January 2018		122,066
February 2018		148,183
March 2018		126,091
April 2018		141,596
		<u>\$ 1,521,982</u>

The number of system users at the end of the fiscal year was 2,886.
The average monthly billing per user was \$43.95.

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

CITY OF FRANKLIN, LOUISIANA

Schedule of Insurance in Force
(Unaudited)
April 30, 2018

Description of Coverage	Amount of Limits	Expires	Company
Workmen's Compensation -	Statutory Louisiana Benefits \$500,000 each accident \$500,000 each employee \$500,000 each policy	7/12/2018	Louisiana Workers Comp. Corp.
Business Automobile	Auto Liability - \$500,000 Fire Vehicles - \$1,000,000	12/31/2018 10/4/2018	Atlantic Specialty Insurance VFIS
Law Enforcement Liability	\$1,000,000	12/31/2018	Indian Harbor Insurance Co.
Surety Bond	\$60,000 - Mayor \$60,000 - Director of Administration \$20,000 - Other employees \$60,000 - Tax Collectors \$5,000 - Criminal Court Clerk \$5,000 - Civil Court Clerk \$5,000 - Court Clerk \$5,000 - Deputy Clerk \$5,000 - City Marshal \$5,000 - City Deputy Marshal	9/20/2018 9/20/2018 9/20/2018 9/20/2018 12/10/2018 4/11/2019 5/7/2019 6/13/2019 5/16/2018 5/16/2018	Western Surety Western Surety Western Surety Western Surety Western Surety Western Surety Western Surety Western Surety CNA Surety CNA Surety
Fire and Extended Coverage	All City Buildings & PP - \$9,432,440	5/1/2018	Westchester Surplus Lines
Computer Coverage	\$34,300	2/6/2019	Scottsdale Insurance Co.
Machinery Breakdown Policy	\$15,686,000 - Water & Sewer Plant Machinery / Water Pump Stations / Sewer Lift Stations	1/8/2019	Hartford
Health Benefit Plan	Plan 43B – Louisiana Choice HMO Plan AF4P – Louisiana Choice Plus Plan AF9T – Louisiana Choice HMO	12/31/2018	United Healthcare
Equipment	\$126,880 - Daewoo Excavator	7/2/2018	Allianz Global
Dwelling	\$36,900 - 517 Third St.	3/12/2019	Southern Fidelity Insurance



**Darnall, Sikes
& Frederick.**

(A Corporation of Certified Public Accountants)

Eugene H. Darnall, CPA, Deceased 2009

J. Stephen Gardes, CPA, CVA*, Retired 2018

E. Larry Sikes, CPA/PFS, CVA*, CFP®
 Danny P. Frederick, CPA
 Clayton E. Darnall, CPA, CVA
 Eugene H. Darnall, III, CPA
 Stephanie M. Higginbotham, CPA
 John P. Armato, CPA/PFS
 Jennifer S. Ziegler, CPA/PFS, CFP®
 Chris A. Miller, CPA, CVA
 Steven G. Moosa, CPA
 M. Rebecca Gardes, CPA
 Joan B. Moody, CPA
 Lauren V. Hebert, CPA/PFS
 Erich G. Loewer, III, CPA, M.S. Tax
 Jeremy C. Meaux, CPA
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 Kyle P. Saltzman, CPA, CFE
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Kevin S. Young, CPA
 Christy S. Dew, CPA, MPA
 Rachel W. Ashford, CPA
 Veronica L. LeBleu, CPA, MBA
 Christine Guidry Berwick, CPA, MBA
 Brandon L. Porter, CPA
 Brandon R. Dunphy, CPA
 Robert C. Darnall, CPA, CVA, M.S.
 Benjamin J. Baudoin, CPA

* (Emeritus)

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

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

We have performed the procedures enumerated below, which were agreed to by the City of Franklin, Louisiana (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period May 1, 2017 through April 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

Written policies and procedures were obtained and do not address all of the functions noted above.

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

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

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A Member of:
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

www.dsfcpas.com

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

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes included monthly budget-to-actual comparisons for the major funds.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Obtained prior year audit report and reviewed the unrestricted fund balance in the general fund for a negative ending unrestricted fund balance noting a positive balance.

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.

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

Observe that:

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

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

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

Obtained bank statements and reconciliations for the selected month in the fiscal period noting no evidence of board member review.

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

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

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained listing of cash collection locations and management's representation that listing is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Written documentation was obtained and address the functions noted above.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Written documentation was obtained and address the functions noted above.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Written documentation was obtained and address the functions noted above.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Written documentation was obtained and address the functions noted above.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Employees that are responsible for collecting cash are bonded.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exception noted.

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

No exception noted.

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

No exception noted.

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

No exception noted.

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

No exception noted.

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).

Listing of disbursements and management's representation that the listing is complete was obtained.

- 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.

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

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

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

- 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.

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

- 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.

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

- 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.

No exception noted.

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

No exception noted.

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), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

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

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

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

Monthly statements were obtained and address the functions noted above.

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

Monthly statements were obtained and finance charges were assessed.

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

No exceptions noted.

Travel and Expense Reimbursement

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

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

No exceptions noted.

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

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

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

No exceptions noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law¹² (e.g., solicited quotes or bids, advertised), if required by law.

Not applicable.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Not applicable, no contracts amended.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Listing of employees with their related salaries and management's representation that the listing is complete was obtained and salaries agreed to contracts.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

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

No exceptions noted.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

No exceptions noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions noted.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No exceptions noted.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Management's representation that all forms were paid and filed by the required deadlines was obtained.

Ethics (excluding nonprofits)

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

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

No exceptions noted.

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

No exceptions noted.

Debt Service (excluding nonprofits)

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

State Bond Commission approval was obtained.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

No exceptions noted.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the entity did not have any misappropriations of public funds or assets.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Required notices were posted on the entity's premises and website.

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

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

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Morgan City, Louisiana

October 9, 2018

City of Franklin

Louisiana

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Eugene P. Foulcard
Mayor

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

Written Policies and Procedures

1. a) Management plans a review and update to the City of Franklin's financial policies and procedures in the 2018-2019 fiscal year. Budgeting, including preparing, adopting, monitoring, and amending the budget will be reviewed for inclusion in the revised policies and procedures.

1. f) Management plans a review and update to the City of Franklin's financial policies and procedures in the 2018-2019 fiscal year. Contracting, including (1) types of services requiring written contracts; (2) standard terms and conditions; (3) legal review; (4) approval process; and (5) monitoring process will be reviewed for inclusion in the revised policies and procedures.

1. g) Management plans a review and update to the City of Franklin's financial policies and procedures in the 2018-2019 fiscal year. Credit cards, including (1) how cards are to be controlled; (2) allowable business uses; (3) documentation requirements; (4) required approvers; and (5) monitoring card usage will be reviewed for inclusion in the revised policies and procedures.

1. h) Management plans a review and update to the City of Franklin's financial policies and procedures in the 2018-2019 fiscal year. Travel and expense reimbursement, including (1) allowable expenses; (2) dollar thresholds by category of expense; (3) documentation requirements; and (4) required approvers will be reviewed for inclusion in the revised policies and procedures.

Bank Reconciliations

3. b) Management plans to document its review of the monthly reconciliations in the 2018-2019 fiscal year.

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

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