

CITY OF CENTRAL, LOUISIANA

FINANCIAL STATEMENTS

June 30, 2017

CITY OF CENTRAL, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Central, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the **CITY OF CENTRAL (CITY)** as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the City as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 4 through 12 and 41 through 46, respectively, 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 of Central, Louisiana's basic financial statements. The Capital Outlay and Improvement Fund: Schedule of revenue, expenditures, and changes in fund balance – budget (GAAP basis) and actuals on page 49 and the schedule of compensation, benefits and other payments to agency head on page 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Capital Outlay and Improvement Fund: Schedule of revenue, expenditures, and changes in fund balance – budget (GAAP basis) and actuals and the schedule of compensation, benefits and other payments to agency head is the responsibility of management and was 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, based on our audit and the procedures performed as described above, the Capital Outlay and Improvement Fund: Schedule of revenue, expenditures, and changes in fund balance – budget (GAAP basis) and actuals and the schedule of compensation, benefits and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017 on our consideration of the **CITY OF CENTRAL, LOUISIANA's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
December 29, 2017

CITY OF CENTRAL, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of the City of Central's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities and currently known facts, and should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2017, the City of Central experienced an increase in revenues of 72% compared to the prior year while expenditures increased 144% from the prior year. The City has a contract with a not-for-profit organization to provide administrative, financial, public works, code enforcement, permitting, and inspection services. In 2017, the cost of this contract was \$3.6 million, which represents 27.1% of total government-wide expenses. Additionally, the City received sales tax of \$10.7 million and intergovernmental grants of \$5.9 million. Throughout the year, the City has focused on recovery efforts from the 2016 August flood while maintaining a logical and thoughtful alignment of City resources to community needs.

The major financial highlights for 2017 are as follows:

- Assets of the City's primary government exceeded its liabilities at the end of the year by \$41.5 million (net position). Net position includes \$29.1 million that may be used without restriction to meet the City's ongoing obligations to citizens and creditors.
- The primary government's total net position increased by \$6.3 million during 2017.
- At year end, the City's governmental funds reported fund balances of \$38.1 million, an increase of approximately \$4.7 million from the prior year, with restrictions or commitments as follows:
 - Restricted:
 - Capital projects - \$9.5 million
 - Commitments:
 - Operational reserves - \$3.0 million
 - Emergency repairs and maintenance - \$2.5 million
 - Drainage repairs and maintenance - \$909,500
 - Road maintenance - \$2.4 million
 - Capital outlay and improvements - \$1.4 million

Significant aspects of the City's financial well-being, for the year ended June 30, 2017, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

The City's financial statements focus on the government as a whole (government-wide) and on major individual funds. Both perspectives (government-wide and major funds) allow the reader to address relevant questions, broaden a basis for comparison from year to year and enhance the City's accountability.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 14 and 15) provide information about the activities of the City as a whole.

Fund financial statements start on page 16. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The City's auditors have provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly stated, in all material respects. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the City as a Whole

The financial statements of the City as a whole begin on page 14. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way to determine if the City is in better condition as a result of the year's financial results. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the City's net position and related changes. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of its financial health. You will need to consider other non-financial factors, such as changes in the City's sales tax base, to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities consist of governmental activities.

Governmental activities - The City's basic services are reported here, including public safety, public works, health and welfare, and general administration. Sales taxes, intergovernmental grants, and franchise fees finance the majority of these activities.

At June 30, 2017, the City's net position was \$41.5 million, of which \$29.1 million is unrestricted. Restricted net position is normally reported separately to show legal constraints from debt covenants and enabling legislation that limits the City's ability to use that net position for day-to-day operations.

Our analysis below of the primary government focuses on the net position and change in net position of the City's governmental activities.

City of Central, Louisiana
Statement of Net Position
June 30, 2017 and 2016

	Governmental Activities	
	2017	2016
Current and other assets	\$40,553,129	\$33,549,296
Capital assets, net	3,001,075	2,270,494
Total assets	43,554,204	35,819,790
Deferred outflow of resources	118,645	171,466
Total assets and deferred outflows of resources	\$43,672,849	\$35,991,256
Current and other liabilities	\$ 1,741,625	\$ 369,392
Long-term payables	326,394	376,233
Total liabilities	2,068,019	745,625
Deferred inflow of resources	72,353	12,898
Total liabilities and deferred inflows of resources	2,140,372	758,523
Net position:		
Invested in capital assets	3,001,075	2,192,714
Restricted	9,482,061	7,754,127
Unrestricted	29,049,341	25,285,892
Total net position	41,532,477	35,232,733
Total liabilities, deferred inflows of resources, and net position	\$43,672,849	\$35,991,256

Net position of the City's governmental activities increased by \$6.3 million during the year ended June 30, 2017. Unrestricted net position increased by \$3.8 million. Unrestricted net position represents the amount of the net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements. The changes in net position are discussed later in this analysis.

The results of the past two years' operations for the primary government as a whole, as reported in the Statement of Activities, are as follows:

City of Central, Louisiana
Changes in Net Position
June 30, 2017 and 2016

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 1,165,647	\$ 1,170,003
Operating grants and contributions	5,851,788	175
Capital grants and contributions	298,788	332,766
General revenues:		
Sales and use taxes	10,659,372	7,909,262
Franchise taxes	1,534,006	1,707,630
Investment earnings	135,940	195,178
Other	2,974	-
Total revenues	19,648,515	11,315,014
Functions/Program expenses:		
General government	877,459	766,823
Health and welfare	114,440	114,440
Public works	11,779,780	4,021,934
Highways and streets	153,208	136,219
Public safety	423,884	357,685
Total expenses	13,348,771	5,397,101
Increase in net position	6,299,744	5,917,913
Beginning net position	35,232,733	29,314,820
Ending net position	\$41,532,477	\$35,232,733

The increase in net position of \$6.3 million is primarily attributed to increases in revenues generated by operating grants and contributions and sales taxes.

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. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

Reporting the City's Most Significant Funds

The City's major funds begin on page 16 with the fund financial statements that provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law, and the City Council establishes other funds to control and manage financial resources for particular purposes or to meet legal responsibilities for using certain taxes, grants and other assets.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. All of the City's basic services are reported in governmental funds. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation to the financial statements. The governmental major funds (Exhibits A-2 and A-4) presentation uses the modified accrual basis and focuses on the major funds of the City. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The City has five governmental funds, which are the General Fund, Emergency Services, Drainage, and Local Road Improvement & Maintenance Fund (ESDRIM Fund), Half Cent Sales Tax and Traffic Contribution special revenue funds, and the Capital Outlay and Improvement Fund.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-6.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the City's major funds and can be found in Exhibits B through B-5.

Financial Analysis of the General Fund

The general government operations of the City are accounted for in the General Fund, special revenue funds, and capital projects fund. The focus of these funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The following is a summary of general governmental operations for 2017 by fund type:

	(in thousands)				2016 Total
	2017			Total	
	General Fund	Special Revenue Funds	Capital Projects Fund		
Revenue	\$ 10,044	\$ 8,228	\$ 427	\$ 18,699	\$ 11,297
Expenditures	6,504	6,751	848	14,103	6,012
Other financing sources (uses)	(409)	(3,682)	4,182	91	-
Net change in fund balance	3,131	(2,205)	3,760	4,686	5,285
Beginning fund balance, restated	14,851	17,664	871	33,386	28,101
Ending fund balance	<u>\$ 17,982</u>	<u>\$ 15,459</u>	<u>\$ 4,631</u>	<u>\$ 38,073</u>	<u>\$ 33,386</u>

The City's governmental funds experienced a surplus of \$4.7 million during 2017. At year end, fund balances were \$38.1 million, of which \$14.9 million is unassigned and available for utilization at the City's discretion. The remaining fund balance has been restricted for capital projects (\$9.5 million), or committed (\$10.2 million) and assigned (\$3.5 million) where internal constraints have been established by the City. At June 30, 2017, the fund balance of the General Fund was \$18.0 million compared to the fund balance of \$14.9 million at June 30, 2016. The increase in fund balance was primarily related to an increase in sales tax and intergovernmental revenues. The Capital Outlay and Improvement Fund was created during 2016 and at June 30, 2017 its fund balance was \$4.6 million.

(Continued)

The City's other major funds are the ESDRIM, Half Cent Sales Tax and Traffic Contribution special revenue funds. The following is a summary of changes in fund balance by special revenue fund:

Fund	Fund Balance (in thousands)		
	Beginning	Net Change	Ending
ESDRIM	\$ 9,743	\$ (3,972)	\$ 5,771
Half Cent Sales Tax	7,737	1,745	9,482
Traffic Contribution	184	22	206
Total	\$ 17,664	\$ (2,205)	\$ 15,459

Sources of governmental revenues, excluding transfers, are summarized below:

Source of Revenue	(in thousands)			
	2017		2016	
	Revenue	%	Revenue	%
Sales and use taxes	\$ 10,659	57	\$ 7,909	70
Franchise taxes	1,534	8	1,708	15
Charges for services	1,051	6	1,087	10
Intergovernmental grants and contributions	5,319	28	398	4
Investment and other income	136	1	195	2
Total	\$ 18,699	100	\$ 11,297	100

Revenues of the governmental funds increased by \$7.4 million. This increase is directly attributable to an increase in sales and use taxes, and intergovernmental grants and contributions; charges for service, franchise taxes, and investment revenue decreased during 2017.

Governmental expenditures are summarized as follows:

Functions	(in thousands)			
	2017		2016	
	Expenditures	%	Expenditures	%
General government	\$ 804	6	\$ 686	11
Health and welfare	114	1	114	2
Public works	11,798	84	4,022	67
Highway and streets	22	0	34	1
Public safety	423	3	320	5
Debt services	22	0	-	-
Capital outlay	920	7	836	14
Total	\$ 14,103	100	\$ 6,012	100

Governmental expenditures increased by \$8.0 million, or 134%. This increase is related to increases in public works and highway and streets, which are due to the increase in debris removal and recovery efforts from the 2016 August floods.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the City's General Fund operating budget was amended, which is a customary practice of the City, to reflect the changes that occur with financial related matters throughout the fiscal year. The most significant changes during 2017 were as follows:

- Increases in sales and use tax revenue by \$2.1 million and intergovernmental grants \$43,000, and
- Decrease in charges for services by \$184,000 and investment income by \$78,000
- Increase in public works and capital outlay expenditures by \$1.0 million and \$59,000, respectively, and
- Decrease in public safety expenditures by \$183,000

With these adjustments, the budgeted change in fund balance was \$438,000 more than the original budgeted change in fund balance of \$2.2 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the completion of the fiscal year ended June 30, 2017, the City had \$3.0 million invested in capital assets, net of accumulated depreciation of \$1.1 million, which was comprised of construction in progress, leasehold improvements, equipment, vehicles, and infrastructure.

	2017	2016
Construction in progress	\$ 130,686	\$ 576,773
Leasehold improvements	955	3,249
Equipment	37,284	54,074
Vehicles	165,620	145,179
Infrastructure	2,666,530	1,491,219
Total assets, net of accumulated depreciation	\$ 3,001,075	\$ 2,270,494

The City elected to capitalize infrastructure assets, such as roads and bridges, on a prospective basis as a Phase 3 government, in accordance with GASB No. 34. As of June 30, 2017, the City has constructed \$3,196,300 of infrastructure since inception. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

Debt

As of June 30, 2017, accrued compensated absences comprise the City's long-term debt, as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Net pension obligations	\$ 293,692	\$ -	\$ 92,441	\$ 201,251
Capital lease obligations	77,780	57,835	17,793	117,822
Accrued compensated absences	<u>4,761</u>	<u>2,560</u>	<u>-</u>	<u>7,321</u>
Total	<u>\$ 376,233</u>	<u>\$ 60,395</u>	<u>\$ 110,234</u>	<u>\$ 326,394</u>

More detailed information about the City's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials considered many factors when setting the fiscal year 2018 budget and tax rates, including the national, state, and local economies. The General Fund's revenue is budgeted to decrease by 17% to \$8.3 million for the 2018 fiscal year while expenditures are expected to remain comparable to the prior year at \$6.6 million. The City did not budget for Intergovernmental revenues during the 2018 fiscal year. Additionally, judicial expenditures are expected to decrease to \$69,000 in the 2018 fiscal year. Highway and streets expenditures in the Half Cent Sales Tax Fund are expected to be eliminated due to completion of the rehabilitation and construction projects. The administration of the City has made it a priority to complete the development and design of the Master Plan for the City of Central to provide the framework for the future growth and land use for the City.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Office at (225) 261-5988, www.centralgov.com or 13421 Hooper Road, Suite 8, Central, Louisiana, 70818.

CITY OF CENTRAL, LOUISIANA
BASIC FINANCIAL STATEMENTS

CITY OF CENTRAL, LOUISIANA
STATEMENT OF NET POSITION

June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 18,685,343
Investments	19,195,237
Due from other governments	2,182,834
Accounts receivable	485,502
Prepaid and other assets	4,213
Capital assets:	
Nondepreciable	130,686
Depreciable, net	<u>2,870,389</u>
Total assets	43,554,204
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension liability	<u>118,645</u>
Total assets and deferred outflows of resources	<u>\$ 43,672,849</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 1,481,181
Contracts payable	40,444
Sales tax refund payable	220,000
Long-term debt:	
Due within one year	30,274
Due in more than one year	<u>296,120</u>
Total liabilities	<u>2,068,019</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension liability	<u>72,353</u>
NET POSITION	
Investment in capital assets	3,001,075
Restricted for capital projects	9,482,061
Unrestricted	<u>29,049,341</u>
Total net position	<u>41,532,477</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 43,672,849</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA
STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 877,459	\$ 1,165,647	\$ 5,830,523	\$ 298,788	\$ 6,417,499
Health and welfare	114,440	-	21,265	-	(93,175)
Public works	11,779,780	-	-	-	(11,779,780)
Highways and streets	153,208	-	-	-	(153,208)
Public safety	423,884	-	-	-	(423,884)
Total	<u>\$ 13,348,771</u>	<u>\$ 1,165,647</u>	<u>\$ 5,851,788</u>	<u>\$ 298,788</u>	<u>(6,032,548)</u>
General revenues:					
Taxes:					
Sales					10,659,372
Franchise					1,534,006
Investment earnings					135,940
Other					2,974
					<u>12,332,292</u>
Total general revenues					<u>12,332,292</u>
Increase in net position					6,299,744
Net position - beginning of year					<u>35,232,733</u>
Net position - end of year					<u>\$ 41,532,477</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA

Exhibit A-2

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

	Special Revenue Funds				Capital Outlay and Improvement Fund	Total Governmental Funds
	General	ESDRIM	Half Cent Sales Tax	Traffic Contribution		
ASSETS						
Cash and cash equivalents	\$ 9,826,735	\$ 2,343	\$ 3,978,657	\$ 205,812	\$ 4,671,796	\$ 18,685,343
Investments	7,487,328	6,458,990	5,248,919	-	-	19,195,237
Due from other governments	991,950	959,916	230,968	-	-	2,182,834
Accounts receivable	53,192	405,875	26,435	-	-	485,502
Due from ESDRIM Fund	1,045,000	-	-	-	-	1,045,000
Prepaid and other assets	4,213	-	-	-	-	4,213
Total assets	\$ 19,408,418	\$ 7,827,124	\$ 9,484,979	\$ 205,812	\$ 4,671,796	\$ 41,598,129
LIABILITIES						
Accounts payable and accrued liabilities	\$ 1,425,952	\$ 50,982	\$ 2,918	\$ -	\$ -	\$ 1,479,852
Contracts payable	-	-	-	-	40,444	40,444
Due to General Fund	-	1,045,000	-	-	-	1,045,000
Total liabilities	1,425,952	1,095,982	2,918	-	40,444	2,565,296
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	959,916	-	-	-	959,916
FUND BALANCE						
Nonspendable	4,213	-	-	-	-	4,213
Restricted for capital projects	-	-	9,482,061	-	-	9,482,061
Committed	3,040,412	5,771,226	-	-	1,370,105	10,181,743
Assigned	-	-	-	205,812	3,261,247	3,467,059
Unassigned	14,937,841	-	-	-	-	14,937,841
Total fund balance	17,982,466	5,771,226	9,482,061	205,812	4,631,352	38,072,917
Total liabilities, deferred inflows of resources, and fund balance	\$ 19,408,418	\$ 7,827,124	\$ 9,484,979	\$ 205,812	\$ 4,671,796	\$ 41,598,129

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2017

Total net position reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds (Exhibit A-2)		\$ 38,072,917
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds.		3,001,075
Other long-term assets not available to pay for current period expenditures and therefore are deferred inflows in funds.		
Due from other governments grants		959,916
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Sales tax refund payable	(220,000)	
Capital leases	(117,822)	
Accrued interest	(1,329)	
Accrued vacation	<u>(7,321)</u>	(346,472)
Pension related obligations that are not due and payable with current resources and, therefore, are not reported in governmental funds.		
Deferred outflows related to pension liability	118,645	
Net pension liability	(201,251)	
Deferred inflows related to pension liability	<u>(72,353)</u>	<u>(154,959)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 41,532,477</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA

Exhibit A-4

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the year ended June 30, 2017

	Special Revenue Funds					Total Governmental Funds
	General	ESDRIM	Half Cent Sales Tax	Traffic Contribution	Capital Outlay and Improvement Fund	
REVENUES						
Taxes:						
Sales and use	\$ 8,890,836	\$ -	\$ 1,768,536	\$ -	\$ -	\$ 10,659,372
Franchise	-	1,534,006	-	-	-	1,534,006
Charges for services	1,029,176	-	-	22,000	-	1,051,176
Intergovernmental grants and contributions	56,265	4,835,607	-	-	427,048	5,318,920
Investment income	68,290	36,941	30,709	-	-	135,940
Total revenues	10,044,567	6,406,554	1,799,245	22,000	427,048	18,699,414
EXPENDITURES						
Current function:						
General government	803,909	-	-	-	-	803,909
Health and welfare	114,440	-	-	-	-	114,440
Public works	5,068,172	6,729,347	-	-	-	11,797,519
Highways and streets	-	-	21,765	-	-	21,765
Public safety - police	423,435	-	-	-	-	423,435
Debt service:						
Principal	17,793	-	-	-	-	17,793
Interest	4,628	-	-	-	-	4,628
Capital outlay	71,840	-	-	-	848,099	919,939
Total expenditures	6,504,217	6,729,347	21,765	-	848,099	14,103,428
Excess (deficiency) of revenues over expenditures	3,540,350	(322,793)	1,777,480	22,000	(421,051)	4,595,986
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	4,181,549	4,181,549
Proceeds from insurance	32,981	-	-	-	-	32,981
Proceeds from capital lease	57,835	-	-	-	-	57,835
Operating transfers out	(500,000)	(3,648,955)	(32,594)	-	-	(4,181,549)
Total other financing sources (uses)	(409,184)	(3,648,955)	(32,594)	-	4,181,549	90,816
Net change in fund balance	3,131,166	(3,971,748)	1,744,886	22,000	3,760,498	4,686,802
FUND BALANCE						
Beginning of year, restated	14,851,300	9,742,974	7,737,175	183,812	870,854	33,386,115
End of year	\$ 17,982,466	\$ 5,771,226	\$ 9,482,061	\$ 205,812	\$ 4,631,352	\$ 38,072,917

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

The change in net position reported for governmental activities in the statement of activities is different because:

Net change in fund balance - total governmental fund (Exhibit A-4) \$ 4,686,802

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.

Capital outlay	\$ 919,939	
Depreciation expense	<u>(189,358)</u>	730,581

Some revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current period expenditures.

Charges for services	(13,789)	
Operating grants	<u>959,916</u>	946,127

The issuance of long-term debt for capital leases provides current financial resources to governmental funds. In the statement of net position, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, payment of principal is an expenditure in the governmental funds but reduces the liability in the statement of activities.

Proceeds from capital leases	(57,835)	
Scheduled principal payments on leases	<u>17,793</u>	(40,042)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	(1,329)	
Net change in compensated absences payable	<u>(2,560)</u>	(3,889)

Changes in net pension obligations are reported only in the Statement of Activities.

(19,835)

Change in net position of governmental activities (Exhibit A-1) \$ 6,299,744

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

The City of Central (City) was established on July 11, 2005 and is a political subdivision of the State of Louisiana. The City, under the provisions of the Lawrason Act, enacts ordinances, sets policy and establishes programs in such fields as public safety, public works, health and welfare, and highways and streets.

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

The financial statements comply with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34) and include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations;
- Financial statements prepared using accrual accounting for the City’s activities, including infrastructure (roads, bridges, etc.) since inception; and
- Fund financial statements to focus on the major funds.

Reporting Entity

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

The criteria for determining which component units should be considered part of the City for financial reporting purposes are as follows:

- 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;
- Whether the City governing authority (the Council and/or Mayor) appoints a majority of board members of the potential component unit;
- Fiscal interdependency between the City and the potential component unit;
- Imposition of will by the City on the potential component unit; and
- Financial benefit/burden relationship between the City and the potential component unit.

As required by generally accepted accounting principles, these financial statements present the City; there are no component units to be reported in the City's financial statements.

Basis of Presentation

The City's basic financial statements consist of the government-wide statements of the primary government (the City) and the fund financial statements (individual major funds and combined non-major funds). The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units.

The City adopted Government Accounting Standards Board (GASB) Statement No. 72 – *Fair Value Measurement and Application* and GASB Statement No. 77 – *Tax Abatement Disclosures*. The provisions of GASB Statement No. 72 and GASB Statement No. 77 have been implemented, the City's financial statements and note disclosures reflect any required changes.

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities for all non-fiduciary activities of the City. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the government as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. *Governmental activities* generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are very similar to the traditional government fund statements as prepared by governments prior to the issuance of GASB No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund types are summarized into a single column in the basic financial statements. The City does not have any non-major funds or business-type categories.

The daily operations of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The City does not have any proprietary or fiduciary funds.

A fund is considered major if it is the primary operating fund of the City (the General Fund) or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The various funds of the primary government presented in the financial statements are described as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of expendable financial resources and related liabilities of the City are accounted for through governmental funds. Measurement is focused upon determining changes in financial position, rather than net income. The following are the governmental fund types of the City:

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. The General Fund is always a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds that are considered major funds are the Emergency Services, Drainage, and Local Road Improvement & Maintenance Fund (ESDRIM Fund), the Half Cent Sales Tax Fund and the Traffic Contribution Fund. The ESDRIM Fund and the Half Cent Sales Tax Fund account for the collection of franchise tax and sales tax, respectively. The Traffic Contribution Fund accounts for fees charged to local developers to assist with traffic related matters impacted by their developments.

Capital Outlay and Improvement Fund - The Capital Outlay and Improvement Fund is used to account for the acquisition or construction of facilities and infrastructure. The Capital Outlay and Improvement Fund is considered a major fund to account for infrastructure improvements.

Basis of Accounting and Measurement Focus

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Program revenues for governmental activities include operating grants, and licenses and permits.

Fund financial statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (Continued)

Fund financial statements (Continued)

Governmental funds are maintained on the modified accrual basis of accounting. Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). "Available" means collectible within the current period or within 60 days after year-end. Charges for services and other governmental revenues are recorded as earned since they are measurable and available.

Nonexchange transactions, in which the City receives value without directly giving value in return, include sales and use tax, franchise tax, and state and federal grants. Sales taxes and franchise taxes are recorded when in possession of the intermediary collecting agent and are recognized as revenue at that time and subject to the availability criteria. Federal and state grants are recorded as revenue when the City is entitled to the funds, generally corresponding to when grant related costs are incurred by the City, but subject to the availability criteria.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) unmatured interest on general long-term debt which is recognized when due, and (2) claims and judgments, and compensated absences which are recorded as expenditures in the governmental fund type when paid with expendable financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

Cash, Cash Equivalents, and Investments

A consolidated bank account has been established into which substantially all monies are deposited and from which most disbursements are made. The purpose of this consolidation of bank accounts is to provide administrative efficiency and to maximize investment earnings. The accounts entitled "Cash and cash equivalents" are therefore composed of a fund's pro rata share of the cash balance in the consolidated cash account.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investment policy of the City is governed by state statutes that include depository and custodial contract provisions. The City invests funds in accordance with L.R.S. 39:1211-1245 and 33:2955 which include, but are not limited to, United States Treasury Bonds, Treasury Notes, Treasury Bills, and fully collateralized interest bearing checking accounts and certificates of deposit.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents, and Investments (Continued)

Other provisions require depositories to insure or collateralize all deposits in accordance with state statutory law and require securities collateralizing deposits to be held by an independent third party with whom the City has a custodial agreement. The City primarily invests idle funds in governmental obligations.

Investments are stated at fair market value. Unrealized gains and losses on investments recorded at fair value are included in investment income; such amounts, if any, are immaterial.

Accounts Receivable and Due from Other Governments

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities, uncollectible amounts due for receivables and due from other governments are recognized as bad debts through the use of an allowance account or expensed at the time information becomes available indicating that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged directly to the revenue reported. Due from other governments amounts related to grants are estimates, actual results may differ from those estimates. No allowance has been recorded at June 30, 2017.

Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as “due from other funds” or “due to other funds” on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Deferred Outflows and Inflows of Resources

Government-wide Statements

In addition to assets in the government-wide financial statements, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The City has one item that qualifies for this category, which is deferred outflows related to pension liability and reported in the government-wide statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

Government-wide Statements (Continued)

In addition to liabilities in the government-wide financial statements, the Statement of Net Position or Balance Sheet may report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) at that time. The City has one item that qualifies for this category, which is deferred inflows related to pension liability and reported in the government-wide statement.

Fund Financial Statements

In the fund financial statements, unavailable revenues are accounted as deferred inflows of resources. This item is reported only in the governmental funds balance sheet. The amounts deferred are recognized as an inflow of resources in the period that the amounts become available. The governmental funds report deferred revenues from intergovernmental grants.

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, long-term assets are accounted for as capital assets, which include land and land improvements, buildings and leasehold improvements, equipment, furniture and infrastructure assets (streets, roads, bridges and drainage systems). All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation and primarily relate to public safety equipment and vehicles. The City's capitalization policy stipulates a capitalization threshold of \$500.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are expensed. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Government-wide Statements (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is computed using the straight-line method of depreciation over the asset's estimated useful life, as follows:

Leasehold improvements	5-7 years
Equipment	3-10 years
Vehicles	5 years
Infrastructure	10-20 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are recorded as capital outlay expenditures of the governmental fund types when purchased.

Compensated Absences

The City has the following policy relating to vacation and sick leave:

The full time employees of the City accrue four to five and a half hours of vacation leave, depending on length of service, for each two-week pay period worked for a total of 104 to 144 hours per year, respectively. Vacation is payable for up to 240 hours upon resignation, termination or retirement at the employee's current rate of pay.

Pensions

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Net Position

Government-wide net position is divided into three components:

- Net invested in capital assets—consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance the acquisition of those assets.
- Restricted net position—consists of net position that is restricted by the City's creditors (for example, through debt covenants), by state or local enabling legislation (through restrictions on shared revenues or taxes), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to reduce restricted net assets followed by unrestricted net assets.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable—Amounts that cannot be spent either because they are nonspendable in form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance. This designation includes the Budget Reserve Account.
- Assigned—Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Council.
- Unassigned—All amounts not included in other spendable classifications.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (fund balance), the City's policy is to apply the expenditure in the following priority: 1) restricted fund balance, 2) committed fund balance, 3) assigned fund balance, and 4) unassigned fund balance.

Fund balance represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the City Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to adoption of the budget.

The General Fund annual operating budget is prepared on the modified accrual basis of accounting. At the end of the fiscal period, unexpended appropriations automatically lapse. Budget amendments are approved by the City Council and are included in the financial statements.

In connection with budget preparation, a portion of the unassigned fund balance of an individual fund may be designated for expenditures of the subsequent period. Such designation represents the extent to which the fund balance is used to balance the subsequent period's operating budget of that fund, as reflected in the legally adopted budget.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of the government-wide financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for depreciation, investments, grant receivables (due from other governments), net pension liability, and casualty losses and remediation costs.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2017, the carrying amount of the City's deposits totaled \$18,685,343 and the related bank balances were \$18,838,269. The bank balance is secured by federal depository insurance and collateral held by the City's agent in the City's name.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's cash and investment policy, as well as state law, require that deposits be fully secured. At June 30, 2017, the City's deposits were not exposed to any custodial risk.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The City may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

The City's investments are obligations of U.S. government agencies. At June 30, 2017, the fair value/carrying value of investments in U.S. agency obligations totaled \$19,195,237 with all securities maturing between 1 and 5 years. At year end, the City's investments were not exposed to any custodial credit risk.

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. The City's investment policy does not limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Cash, Cash Equivalents, and Investments Summary

The above stated bank balances for the City are collateralized as follows:

	<u>Amount</u>
Category 1 - Amount insured by the FDIC	\$ 250,000
Category 2 - Amount collateralized with securities held by pledging financial institution's trust department in the City's name	16,693,984
Balances not subject to categorization:	
Investments in U.S. securities	<u>21,089,523</u>
Total bank balances	<u>\$ 38,033,507</u>

NOTE 3 - DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2017 consisted of the following:

	<u>Amount</u>
Sales and use tax	\$ 1,222,918
Grants	<u>959,916</u>
Total primary government	<u>\$ 2,182,834</u>

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, were as follows:

	Amount
Franchise fees	\$ 376,828
Investment interest	91,752
Other	16,922
Total primary government	\$ 485,502

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Construction in progress	\$ 576,773	\$ 369,858	\$ 815,945	\$ 130,686
Capital assets being depreciated				
Leasehold improvements	74,561	-	-	74,561
Equipment	336,416	6,132	-	342,548
Vehicles	278,649	65,707	-	344,356
Infrastructure	1,902,104	1,294,187	-	3,196,291
Total capital assets	3,168,503	1,735,884	815,945	4,088,442
Less accumulated depreciation for:				
Leasehold improvements	71,312	2,294	-	73,606
Equipment	282,342	22,922	-	305,264
Vehicles	133,470	45,266	-	178,736
Infrastructure	410,885	118,876	-	529,761
Total accumulated depreciation	898,009	189,358	-	1,087,367
Total capital assets, net	\$ 2,270,494	\$ 1,546,526	\$ 815,945	\$ 3,001,075

Depreciation expense for the year ended June 30, 2017 charged to general government, public safety, and highways and streets functions was \$30,388, \$45,266, and \$113,704, respectively.

NOTE 6 - LONG-TERM DEBT

Long-term debt obligations for the primary government's governmental activities at June 30, 2017 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Net pension obligations	\$ 293,692	\$ -	\$ 92,441	\$ 201,251
Capital lease obligations	77,780	57,835	17,793	117,822
Accrued compensated absences	4,761	2,560	-	7,321
Total	<u>\$ 376,233</u>	<u>\$ 60,395</u>	<u>\$ 110,234</u>	<u>\$ 326,394</u>

Debt Service Requirements to Maturity

The City considers accrued compensated absences to be current maturities of long-term debt. The annual debt service requirements to amortize outstanding long-term debt of the primary government's governmental-type activities at June 30, 2017 are as follows:

Maturity	Capital Leases		
	Principal	Interest	Total
2017	\$ 29,649	\$ 5,562	\$ 35,211
2018	31,142	4,069	35,211
2019	32,716	2,495	35,211
2020	11,952	838	12,790
2021	12,364	426	12,790
Totals	<u>\$ 117,823</u>	<u>\$ 13,390</u>	<u>\$ 131,213</u>

NOTE 7 - CONTINGENCIES

Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There were no major changes in insurance coverage from the prior year and settlements have not exceeded coverage in the current year or the past three years.

Engineering Contracts

At June 30, 2017, the City had outstanding commitments from construction contracts in progress of \$1,369,808 and approximately \$99,780 related to architecture contracts.

NOTE 7 - CONTINGENCIES (CONTINUED)

Grants

The City receives federal, state, and local grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of City management that its compliance with the terms of grants will result in negligible, if any, disallowed costs.

Lawsuits

The City is involved in various lawsuits arising in the normal course of business.

In November 2014, a judgment against the City resulted in a refund of sales taxes of approximately \$220,000, including interest and legal expenses incurred by plaintiff. This amount has accrued as of June 30, 2017.

NOTE 8 - INTERGOVERNMENTAL AGREEMENTS

Animal Control Services Agreement

The City has a contractual arrangement whereby the Parish agrees to provide the services of the Parish's Animal Control Department to the City based on an annual fee. For 2017, the City will pay the Parish \$114,440 annually, or \$9,537 per month.

City Operations Services Agreement

The City entered into an agreement with Institute for Building Technology and Safety (IBTS) to provide management and operational services for City operations. The arrangement will mature on June 30, 2018 and the City has an option to renew this contract for an additional two year term.

In consideration for the service provided by IBTS under the current contract, the City will pay a base compensation of \$3,688,372 for fiscal year ending June 30, 2018. In addition, the City will also compensate IBTS 100% of building permit fees for completed permits.

NOTE 9 - PENSION PLAN

Substantially all employees of the City can elect to be members of the Municipal Employees' Retirement System of Louisiana ("System"), Plan A, a cost sharing, multiple-employer defined benefit pension plan administered by a board of trustees.

Pertinent information relative to the plan is as follows:

NOTE 9 - PENSION PLAN (CONTINUED)

Plan Description

The Municipal Employees' Retirement System of Louisiana (MERS) is the administrator of a cost sharing multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 2016, there were 85 contributing municipalities in Plan A.

Plan Description (Continued)

The Municipal Employees' Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended June 30, 2016. Access to the report can be found on System's website, <http://www.mersla.com>, or the Louisiana Legislative Auditor's website, www.la.gov.

Funding Policy

Plan members are required by state statute to contribute 9.50 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 19.75 percent of annual payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The City's contribution to the System under Plan A for the years ended June 30, 2017, 2016 and 2015 was approximately \$17,000, \$28,000 and \$19,000, respectively.

Pension Liabilities and Expense and Deferred Outflows and Inflows of Resources

At June 30, 2017, the City reported a net pension liability of \$201,251 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Based on the actuarial valuation as of June 30, 2016, the City's proportion was 0.049101%, which was a decrease of 0.033116% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$22,809.

NOTE 9 - PENSION PLAN (CONTINUED)

**Pension Liabilities and Expense and Deferred Outflows and Inflows of Resources
(continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (6,362)
Changes of assumptions	7,326	-
Net difference between projected and actual earnings on pension plan investments	45,960	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	46,381	(65,519)
Differences between allocated and actual contributions	-	(472)
Employer contributions subsequent to the measurement date	18,978	-
	<u>\$ 118,645</u>	<u>\$ (72,353)</u>

The City reported \$18,978 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

June 30, 2017	\$ 28,279
June 30, 2018	(22,986)
June 30, 2019	14,892
June 30, 2020	7,129

(Continued)

NOTE 9 - PENSION PLAN (CONTINUED)

**Pension Liabilities and Expense and Deferred Outflows and Inflows of Resources
(continued)**

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Valuation Dates	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost
Expected Remaining Service Lives	3 years (2015 and 2014)
Investment Rate of Return	7.5%, net of investment expense
Mortality	RP-2000 Employee Table for active members (set forward 2 years for males and 1 year females) RP-2000 Healthy Annuitant Table for healthy annuitants (set forward 2 years for males for females) RP-2000 Disabled Lives Mortality Table for annuitants (set back 5 years for males and 3 years for females)
Salary Increases	5.0% (2.875% Inflation, 2.125% Merit)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

(Continued)

NOTE 9 - PENSION PLAN (CONTINUED)

**Pension Liabilities and Expense and Deferred Outflows and Inflows of Resources
(continued)**

Actuarial Assumptions

The mortality rate assumption used was verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate

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

Current rate (7.5%)	\$ 201,251
1.0% decrease (6.50%)	255,827
1.0% increase (8.50%)	154,680

(Continued)

NOTE 10 - RESTRICTED NET POSITION AND GOVERNMENTAL FUND BALANCES

Details of restricted net position and governmental fund balance as reported in the government-wide Statement of Net Position and governmental funds' Balance Sheets, are as follows:

	Amount
Net assets/fund balance restricted for:	
Capital projects and maintenance:	
Restricted sales tax for construction	\$ 7,100,138
Restricted sales tax for rehabilitation	2,087,128
Restricted sales tax for beautification	294,795
Total restricted net position/fund balance	\$ 9,482,061

Details of committed fund balance as reported in the governmental funds' Balance Sheets are as follows:

	Amount
Fund balance committed for:	
Operating reserve fund	\$ 3,040,412
Emergency, repairs and maintenance	
Dedicated franchise tax for emergency	2,488,937
Dedicated franchise tax for drainage	909,487
Dedicated franchise tax for road maintenance	2,372,802
Capital outlay and improvements	4,631,352
Total committed fund balance	\$ 13,442,990

NOTE 11 - COUNCIL MEMBER COMPENSATION

During the year ended June 30, 2017, Council members received compensation, including per diem payments, as follows:

	Amount
Jason Ellis	\$ 9,600
Shane Evans	9,600
Kim Fralick	9,600
Wayne Messina	9,600
John Vance	9,600
Total	\$ 48,000

NOTE 12 - SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 29, 2017.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

Fund Financial Statements

A prior period adjustment was recorded to recognize authorized transfers in the previous year are as follows:

	General Fund	Half Cent Fund	Capital Outlay Fund	Total
Fund balance, previously stated at June 30, 2016	\$ 15,063,709	\$ 7,754,127	\$ 641,493	\$ 23,459,329
To recognize transfers previously budgeted, but not recorded	(212,409)	(16,952)	229,361	-
Fund balance, restated at June 30, 2016	\$ 14,851,300	\$ 7,737,175	\$ 870,854	\$ 23,459,329

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CENTRAL, LOUISIANA
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance - positive (negative)
REVENUES				
Sales and use taxes	\$ 6,865,264	\$ 8,982,110	\$ 8,890,836	\$ (91,274)
Charges for services	988,956	804,727	1,029,176	224,449
Intergovernmental grants and contributions	8,000	51,265	56,265	5,000
Investment income	95,991	17,746	68,290	50,544
	7,958,211	9,855,848	10,044,567	188,719
EXPENDITURES				
Current function:				
General government	848,938	807,087	803,909	3,178
Health and welfare	116,187	114,440	114,440	-
Public works	4,263,962	5,296,010	5,068,172	227,838
Public safety - police	568,688	385,792	423,435	(37,643)
Debt service	-	-	22,421	(22,421)
Capital outlay	-	58,920	71,840	(12,920)
	5,797,775	6,662,249	6,504,217	158,032
Excess of revenues over expenditures	2,160,436	3,193,599	3,540,350	346,751
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance	-	-	32,981	32,981
Proceeds from capital lease	-	-	57,835	57,835
Operating transfers out	-	(500,000)	(500,000)	-
	-	(500,000)	(409,184)	90,816
Net change in fund balance	2,160,436	2,693,599	3,131,166	<u>\$ 437,567</u>
FUND BALANCE				
Beginning of year, restated	14,763,172	15,063,708	14,851,300	
End of year	<u>\$ 16,923,608</u>	<u>\$ 17,757,307</u>	<u>\$ 17,982,466</u>	

CITY OF CENTRAL, LOUISIANA
ESDRIM FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Franchise taxes	\$ 1,917,788	\$ 1,753,929	\$ 1,534,006	\$ (219,923)
Intergovernmental	-	5,907,714	4,835,607	(1,072,107)
Investment income	73,229	16,519	36,941	20,422
Total revenues	<u>1,991,017</u>	<u>7,678,162</u>	<u>6,406,554</u>	<u>(1,271,608)</u>
EXPENDITURES				
Current function:				
Highways and streets	<u>18,394</u>	<u>6,813,492</u>	<u>6,729,347</u>	<u>84,145</u>
Excess (deficiency) of revenues over expenditures	1,972,623	864,670	(322,793)	(1,187,463)
OTHER FINANCING USES				
Operating transfers out	<u>(175,000)</u>	<u>(3,648,955)</u>	<u>(3,648,955)</u>	<u>-</u>
Net change in fund balance	1,797,623	(2,784,285)	(3,971,748)	<u>\$ (1,187,463)</u>
FUND BALANCE				
Beginning of year	<u>9,931,855</u>	<u>9,742,972</u>	<u>9,742,974</u>	
End of year	<u>\$ 11,729,478</u>	<u>\$ 6,958,687</u>	<u>\$ 5,771,224</u>	

CITY OF CENTRAL, LOUISIANA
HALF CENT SALES TAX FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Sales and use taxes	\$ 1,242,100	\$ 1,776,879	\$ 1,768,536	\$ (8,343)
Investment income	<u>67,501</u>	<u>21,312</u>	<u>30,709</u>	<u>9,397</u>
Total revenues	<u>1,309,601</u>	<u>1,798,191</u>	<u>1,799,245</u>	<u>1,054</u>
EXPENDITURES				
Current function:				
Highways and streets	<u>48,335</u>	<u>31,569</u>	<u>21,765</u>	<u>9,804</u>
Excess of revenues over expenditures	1,261,266	1,766,622	1,777,480	10,858
OTHER FINANCING USES				
Operating transfers out	<u>(1,350,000)</u>	<u>(32,594)</u>	<u>(32,594)</u>	<u>-</u>
Net change in fund balance	(88,734)	1,734,028	1,744,886	<u>\$ 10,858</u>
FUND BALANCE				
Beginning of year, restated	<u>7,735,609</u>	<u>7,754,127</u>	<u>7,737,175</u>	
End of year	<u>\$ 7,646,875</u>	<u>\$ 9,488,155</u>	<u>\$ 9,482,063</u>	

CITY OF CENTRAL, LOUISIANA
TRAFFIC CONTRIBUTION FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Charges for services	\$ 26,250	\$ 7,000	\$ 22,000	\$ 15,000
Net change in fund balance	26,250	7,000	22,000	<u>\$ 15,000</u>
FUND BALANCE				
Beginning of year	<u>183,812</u>	<u>183,812</u>	<u>183,812</u>	
End of year	<u>\$ 210,062</u>	<u>\$ 190,812</u>	<u>\$ 205,812</u>	

CITY OF CENTRAL, LOUISIANA
SCHEDULE OF PROPORTIONATE SHARE
OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS (1)

Municipal Employees' Retirement System (MERS):

As of the fiscal year ended (2):	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.04910%	0.08222%	0.00349%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 17,547	\$ 28,005	\$ 13,009
Employer's Covered-Employee Payroll	81,164	87,712	136,065
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	21.6%	31.9%	9.6%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63%	66%	74%

(1) Schedule is intended to show information for 10 years. Additional years will be displayed as available.

(2) The amounts presented have a measurement date of MERS's prior June 30th fiscal year end.

CITY OF CENTRAL, LOUISIANA
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS (1)

Municipal Employees' Retirement System (MERS):

<u>As of the fiscal year ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
6/30/2017	\$ 16,030	\$ 16,030	-	\$ 81,164	19.75%
6/30/2016	17,323	17,323	-	87,712	19.75%
6/30/2015	26,873	26,873	-	136,065	19.75%

(1) Schedule is intended to show information for 10 years. Additional years will be displayed as available.

CITY OF CENTRAL, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2017

NOTE 1 - BUDGETS

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the City Council prior to the beginning of each fiscal period. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the adoption of the budget.

The General Fund annual operating budget is prepared on the modified accrual basis of accounting. At the end of the fiscal period, unexpended appropriations automatically lapse. Budget amendments are approved by the City Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures in the subsequent period. Such designations represent the extent to which the fund balance is used to balance the subsequent period's operating budget of that fund, as reflected in the legally adopted budget.

Basis of Accounting

All of the City's funds' budgets are prepared on the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements for the year ended June 30, 2017. The City's basis of budgetary accounting follows generally accepted accounting principles.

NOTE 2 - NET PENSION LIABILITY FOR MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Changes of Benefit Terms

No changes.

Changes of Assumptions

No changes.

SUPPLEMENTARY INFORMATION

CITY OF CENTRAL, LOUISIANA
CAPITAL OUTLAY AND IMPROVEMENT FUND - MAJOR FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Intergovernmental	\$ 3,199,096	\$ 427,051	\$ 427,048	\$ (3)
EXPENDITURES				
Capital outlay	<u>1,614,030</u>	<u>2,063,835</u>	<u>848,099</u>	<u>1,215,736</u>
Excess (deficiency) of expenditures over revenue	1,669,766	(1,636,784)	(421,051)	1,215,733
OTHER FINANCING SOURCES				
Operating transfers in	<u>1,525,000</u>	<u>4,181,549</u>	<u>4,181,549</u>	<u>-</u>
Net change in fund balance	3,194,766	2,544,765	3,760,498	<u>\$ 1,215,733</u>
FUND BALANCE				
Beginning of year, restated	<u>283,014</u>	<u>841,456</u>	<u>870,854</u>	
End of year	<u>\$ 3,477,780</u>	<u>\$ 3,386,221</u>	<u>\$ 4,631,352</u>	

CITY OF CENTRAL, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD

For the year ended June 30, 2017

Agency Head: I.M. Shelton, Jr., Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 55,000
Benefits - retirement	12,251
Cell phone	665
Travel	580
Registration fees	250
Continuing professional education	240
Special meals	49
	<u>\$ 69,035</u>

See Independent Auditors' Report

CITY OF CENTRAL

SINGLE AUDIT SECTION

CITY OF CENTRAL, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Name	Grant Year	Grantor Project Number	CFDA Number	Expenditures 2017
U.S. Federal Emergency Management Agency/ State of Louisiana/ Department of Homeland Security and Preparedness				
* Public Assistance Grant - August 2016 Flood	16-17	unavailable	97.036	\$ 5,795,454
U.S. Department of Transportation State of Louisiana/ Department of Transportation and Development				
Highway Planning and Construction	15-17	unavailable	20.205	<u>298,788</u>
Total Expenditures of Federal Awards				<u>\$ 6,094,242</u>

* Tested as major programs

CITY OF CENTRAL

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The City's Schedule of Expenditures of Federal Awards presents the activity of the federal financial assistance programs of the Parish. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed-through other government agencies are included on the schedule.

Basis of Accounting

The City's Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the City's financial statements for the year ended June 30, 2017.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CITY OF CENTRAL, LOUISIANA

For the year ended June 30, 2017



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and
Members of the City Council,
City of Central, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the **CITY OF CENTRAL, LOUISIANA (CITY)** as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively compromise the City's basic financial statements and have issued our report thereon dated December 29, 2017

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider Item 2017-001 to be material weaknesses.

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 are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Item 2016-001.

The City's Response to Finding

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

This report is intended solely for the information and use of the City Council and management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Faulk & Windler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
December 29, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Mayor and
Members of the City Council
City of Central, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the **CITY OF CENTRAL (CITY)** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program – FEMA Public Assistance Grants

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
December 29, 2017

CITY OF CENTRAL, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2017

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
- B) Significant deficiency in internal control were disclosed by the audit of financial statements: **2017-002.**

Material weaknesses: **2017-001.**
- C) Noncompliance that is material to the financial statements: **2017-001.**
- D) Significant deficiencies in internal control over major programs: **None.**
- E) The type of report issued on compliance for major programs: **Unmodified opinion.**
- F) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a): **None.**
- G) Identification of Major Programs:

Federal Emergency Management Agency

State of Louisiana/ Office of Homeland Security and Emergency Preparedness

1) Public Assistance Grant

C.F.D.A 97.036

- H) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**
- I) Auditee qualified as low-risk auditee: **No.**

- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2017-001 and 2017-002.**

CITY OF CENTRAL, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2017

3) Findings – Financial Statement Audit

2017-001 Violation of State Budget Law

Criteria: Louisiana Revised Statute 39:1310 requires governments to amend general and special revenue fund budgets when actual expenditures exceed budgeted amounts by 5% or more or when actual revenues are deficient of budgeted amounts by 5% or more.

Condition: The ESDRIM Fund's revenues were less than budgeted by 16.56%, or \$1,271,606. Therefore, the City is not in compliance with the Louisiana Budget Law.

Cause: The City did not properly monitor and amend budgeted revenues.

Effect: The City is not in compliance with amendment requirements of the Local Government Budget Act.

Recommendation: The City should monitor its special revenue funds' budgets on a continual basis and amend the budgets in accordance with State statute.

Views of responsible officials: The cause of this incident was related to funds not received from FEMA related to the Public Assistance Grant of \$959,916. Since the funds not being received from FEMA within 60 days of year end, the City was not able to recognize these funds in the current fiscal year. At the time of the budget amendment process, these funds were obligated to the City, thus they were budgeted.

2017-002 Cash Management

Criteria: Louisiana Revised Statute 39:1212 requires that all funds shall be deposited daily, whenever practicable.

Condition: Through performance of the Statewide Agreed-Upon Procedures as prescribed by the Louisiana Legislative Auditor, it was discovered cash deposits were not made timely. As described in Steps 5 and 6 of the Independent Auditors' Agreed-Upon Procedures Report, the week with the highest amount of collections was selected and tested. The deposit tested totaled \$22,910; of the amount tested, receipts totaling \$11,353 had an elapsed time between the day the monies were received and the deposit date of 21 days.

CITY OF CENTRAL, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2017

2017-002 Cash Management (continued)

Cause: The City did not make deposits on a daily basis, or whenever practicable.

Effect: The City is not in compliance with amendment requirements of the R.S 39:1212, *Daily deposits*.

Recommendation: The City should ensure deposits are made on a daily basis, or whenever practicable.

Views of responsible officials: Management believes this is an isolated incident; moreover, management has implemented policies and procedures to decrease the likelihood of this incident moving forward.

CITY OF CENTRAL, LOUISIANA

SUMMARY OF PRIOR YEAR FINDINGS AND RESPONSES

For the year ended June 30, 2017

2016-1 Violation of State Budget Law

This matter has been reported as Item 2017-001.

2016-2 Accounting Oversight

This matter is considered resolved.

CITY OF CENTRAL, LOUISIANA

INDEPENDENT AUDITORS' REPORT ON AGREED-UPON PROCEDURES

June 30, 2017



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

To the Member of the City Council
of the City of Central and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the City of Central (The City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The City's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a. Budgeting, including preparing, adopting, monitoring, and amending the budget.

The City does not have a written policy on budgeting.

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

The City's procurement policy addresses items (4) and (5) above. The City has no written policy that discusses items (1), (2), and (3) above.

- c. Disbursements, including processing, reviewing, and approving.

The City has no written policy on disbursements.

- d. Receipts, including receiving, recording, and preparing deposits.

The City's policies and procedures over receipts address all criteria listed above.

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

The City's policies and procedures over payroll/personnel address all criteria listed 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.

The City has a written policy on contracting, although it does not address the monitoring process.

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

The City's policies and procedures over credit cards address all criteria listed above.

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

The City's policies and procedures over travel and expense reimbursement address all criteria listed 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.

The City has no written policy on ethics.

- j. Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The City has no written policy on debt service.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a. Report whether the managing board met (with quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The City Council met at least once monthly.

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

The minutes do not reference monthly budget to actual comparisons. The minutes did reference several times throughout the fiscal year where the budget was discussed and amended as necessary.

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

The City's minutes discussed non-budgetary financial information, including approval of contracts, accounting policies, and other financial policies.

Bank Reconciliations

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

A list of the City's bank accounts was provided by management and management represented that the list was complete.

4. Using the listing provided by management, select all the of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a. Bank reconciliations have been prepared;

Monthly reconciliations were prepared for the Operating and Reserve accounts, without exception. The Disaster Relief account, which was opened in August 2016, had no monthly reconciliations. The Disaster Relief account only had activity in August and September of the fiscal year.

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

The City's Operating account had four exceptions noted where there was no evidence of approval of the bank reconciliations. The Reserve account had three exceptions noted where there was no evidence of approval of the bank reconciliations. As stated above, the Disaster Relief account had no bank reconciliations prepared during the fiscal year and therefore this procedure was not able to be performed.

- c. If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

The Operating account's reconciliation for the month ended June 2017 showed several items outstanding for over one year that did not have documentation showing that they were researched by management. The Reserve account had no outstanding items as of the end of the fiscal year. As noted above, the Disaster Relief account had no reconciliations prepared during the fiscal year.

Collections

- 5. Obtain a listing of cash/check/money order (cash) Collection location and management's representation that the listing is complete.

Management represented that the City maintains only one collection location, Central Municipal Services.

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

The City's only collection location, Central Municipal Services, was tested.

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

No exceptions noted.

- b. Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by

revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

No exceptions noted.

- c. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - i. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

We verified all collections and deposits within the largest week of collections by obtaining corresponding receipts and the December bank statement. As collections and deposits were verified, the collections and deposit dates were compared to determine lag time. Of the 97 total collections deposited during the largest week, we noted 52 exceptions where deposits were not made within 1 day of collection. The average lag time between collection and deposit was 4 days.

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

No exceptions noted.

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

No exceptions noted.

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

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

A check register of disbursements for the year ended June 30, 2017 was obtained. Management represented that the listing was complete.

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

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

No purchases were initiated using a requisition/ purchase order system.

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

No purchases were initiated by a pre-approved purchase order.

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

No purchases were initiated by a pre-approved purchase order.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No signature stamp is used by the City.

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

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

The City provided a listing of all active credit cards and names of individuals with access to the cards. Management represented that the listing was complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

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

No approval was noted by someone other than the authorized card holder for on of the credit cards tested.

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

No exceptions noted.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

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

- i. An original itemized receipt (i.e., identifies precisely what was purchased)

No exceptions noted.

- ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

No exception noted.

- iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Travel and Expense Reimbursement

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

Management provided a general ledger detail for the account in which all travel and expense reimbursements were coded. Management represented that the list was complete.

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

No exceptions noted.

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

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

No exceptions noted.

- b. Report whether each expense is supported by:

- i. An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions noted.

- ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted.

- iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Contracts

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

The City provided a list of all contracts and management represented the list was complete.

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

The check register was sorted by vendor to determine which vendors were paid the most money during the fiscal year.

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

No exceptions noted.

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

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

One of the five contracts selected for testing were subject to Louisiana Public Bid Laws. The City complied with all legal requirements.

- ii. If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

The entity solicited quotes for four contracts tested that did not require solicitation under the Louisiana Public Bid Law.

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

No contracts selected for testing were amended during the fiscal year.

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

No exceptions noted.

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

No exceptions noted.

Payroll and Personnel

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

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

No exceptions noted.

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

No changes made to pay rates or salaries during the fiscal year.

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

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No employees were terminated during the fiscal year.

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

No exceptions noted.

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

No exceptions noted.

Ethics

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

No ethics violations reported during fiscal period based on inquiry with management.

Debt Service

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

The City issued no debt during the fiscal year.

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

The City had no debt outstanding during the fiscal year.

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

The City had no tax millage relating to debt service.

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

Per inquiry with management, there have been no appropriations of public funds or assets.

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

The notice required by R.S. 24:523.1 was observed as posted on the City's premises and website.

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

No exceptions noted.

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

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the results of that testing, and not to provide an opinion on controls 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.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, LA
December 29, 2017