



***ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017***



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**Rozier Harrington  
& McKay** | CERTIFIED PUBLIC  
ACCOUNTANTS |

December 15, 2017

Independent Auditors' Report

To the Honorable Mayor and Board of Aldermen  
City of Pineville, Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pineville 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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pineville, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**OTHER MATTERS**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require the information listed below to supplement the basic financial statements.

- Management's Discussion and Analysis
- Budgetary Comparison Information
- Schedule of Funding Progress
- Schedule of Net Pension Liability Data
- Schedule of Employer Contributions

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 Supplemental Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pineville's basic financial statements. The other supplemental information listed below is presented for purposes of additional analysis and are not a required part of the basic financial statements.

- Combining Balance Sheet – Non-Major Governmental Funds
- Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds
- Schedule of Per Diem Paid to Board Members
- Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer

The other supplemental information 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, other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARD**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the City of Pineville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pineville's internal control over financial reporting and compliance.

  
ROZIER, HARRINGTON & MCKAY  
Certified Public Accountants



**Rozier Harrington  
& McKay** | CERTIFIED PUBLIC  
ACCOUNTANTS |

December 15, 2017

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

To the Honorable Mayor  
and the Board of Aldermen  
City of Pineville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pineville, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Pineville's basic financial statements, and have issued our report thereon dated December 15, 2017.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City of Pineville'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 of Pineville'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2017-2 that we consider to be a significant deficiency.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether City of Pineville'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 an two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-1 and 2017-3

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**CITY OF PINEVILLE'S RESPONSE TO FINDINGS**

The City of Pineville's response to the findings identified in our audit is described in the accompanying managements' corrective action plan described in the table of contents. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
ROZIER, HARRINGTON & MCKAY  
Certified Public Accountants

# **City Of Pineville**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2017**

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This section of the City of Pineville's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2017.

### **OVERVIEW OF FINANCIAL STATEMENTS**

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the City's financial position and results of operations from differing perspectives which are described as follows:

#### **Government –Wide Financial Statements**

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the City's assets (including infrastructure acquired after July 1, 1980) and all of the City's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including public safety, culture, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, fines and forfeitures, and intergovernmental sources.
- **Business-Type Activities** – Expenses associated with providing utility and sanitation services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business type activities.

#### **Fund Financial Statements**

Fund financial statements provide detailed information regarding the City's most significant activities and are not intended to provide information for the City as a whole. Funds are accounting devices that are used to account for specific sources of funds. The City has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental fund use a modified accrual basis of accounting that provides a short-term view of the City's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the City's utility and sanitation services. Proprietary fund financial statements typically provide a more detailed presentation of the information reported in the business-type activities portion of the government-wide financial statements.

### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

A comparative analysis of government-wide financial data is presented as follows:

#### **Net Position**

A condensed version of the government-wide Statement of Net Position is presented as follows:

# **City of Pineville**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2017**

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	<u>For the Year Ended June 30, 2017</u>			<u>For the Year Ended June 30, 2016</u>
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
<b>Assets:</b>				
Current and Other Assets	\$ 3,712,743	\$ 7,775,828	\$ 11,488,571	\$ 12,609,714
Internal Balances	5,959,102	(5,959,102)	----	----
Capital Assets	26,662,770	28,369,353	55,032,123	56,289,068
<b>Total Assets</b>	<b>36,334,615</b>	<b>30,186,079</b>	<b>66,520,694</b>	<b>68,898,782</b>
<b>Deferred Outflow of Resources</b>	<b>6,467,795</b>	<b>555,354</b>	<b>7,023,149</b>	<b>4,048,739</b>
<b>Liabilities:</b>				
Current and Other Liabilities	1,082,087	531,127	1,613,214	1,196,245
Long-term Liabilities	29,536,918	7,709,019	37,245,937	33,356,124
<b>Total Liabilities</b>	<b>30,619,005</b>	<b>8,240,146</b>	<b>38,859,151</b>	<b>34,552,369</b>
<b>Deferred Inflow of Resources</b>	<b>1,354,701</b>	<b>48,791</b>	<b>1,403,492</b>	<b>1,731,392</b>
<b>Net Position:</b>				
Invested in Capital Assets (Net)	25,980,584	24,178,662	50,159,246	50,787,790
Restricted	7,868,254	445,408	8,313,662	8,342,295
Unrestricted	(23,020,134)	(2,171,574)	(25,191,708)	(22,466,325)
<b>Total Net Position</b>	<b>\$ 10,828,704</b>	<b>\$ 22,452,496</b>	<b>\$ 33,281,200</b>	<b>\$ 36,663,760</b>

As the presentation appearing above demonstrates, the City's net position is invested in capital assets. Net position invested in capital assets consists of land, buildings, equipment, and infrastructure less any debt used to acquire the assets that remain outstanding. The City uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

Recognizing long-term liabilities associated with providing retirement benefits and post-retirement healthcare benefits to the City's employees has eliminated the City's remaining net position. Despite the absence of net position, the City has sufficient resources to meet these obligations for the foreseeable future.

### **Changes in Net Position**

A condensed version of the government-wide Statement of Changes in Net Position is presented as follows:

# **City of Pineville**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2017**

	For the Year Ended June 30, 2017			For the
	Govern- mental Activities	Business- Type Activities	Total	Year Ended June 30, 2016
<b>Revenues:</b>				
<b>Program Revenue:</b>				
Charges for Services	\$ 971,779	\$ 7,320,135	\$ 8,291,914	\$ 7,320,065
Operating Grants and Contributions	1,015,920	----	1,015,920	1,040,155
Capital Grants and Contributions	289,652	8,945	298,597	1,044,386
<b>General Revenue:</b>				
Property Taxes	1,567,936	----	1,567,936	1,500,923
Sales Taxes	11,535,699	----	11,535,699	11,617,715
Franchise Fees	948,740	----	948,740	948,279
Occupational Licenses	674,769	----	674,769	665,771
Intergovernmental	69,387	----	69,387	51,997
Other	194,910	19,886	214,796	193,050
<b>Total Revenue</b>	<b>17,268,792</b>	<b>7,348,966</b>	<b>24,617,758</b>	<b>24,382,341</b>
<b>Program Expenses:</b>				
General Government	2,415,542	----	2,415,542	2,335,481
Public Safety				
Police Department	6,590,428	----	6,590,428	6,204,323
Fire Department	5,385,223	----	5,385,223	5,522,885
Public Works	3,890,161	----	3,890,161	3,862,997
Health & Welfare	188,375	----	188,375	164,200
Economic Development	442,327	----	442,327	346,385
Culture and Recreation	2,006,551	----	2,006,551	1,662,001
Utility Service	----	5,182,200	5,182,200	5,004,928
Sanitation	----	1,751,375	1,751,375	1,579,803
Other	31,359	116,777	148,136	148,139
<b>Total Expenses</b>	<b>20,949,966</b>	<b>7,050,352</b>	<b>28,000,318</b>	<b>26,831,142</b>
<b>Increase in Net Position Before</b>				
Transfers	(3,681,174)	298,614	(3,382,560)	(2,448,801)
Transfers	1,462,842	(1,462,842)	----	----
<b>Change in Net Position</b>	<b>(2,218,332)</b>	<b>(1,164,228)</b>	<b>(3,382,560)</b>	<b>(2,448,801)</b>
<b>Net Position Beginning</b>	<b>13,047,036</b>	<b>23,616,724</b>	<b>36,663,760</b>	<b>39,112,561</b>
<b>Net Position Ending</b>	<b>\$ 10,828,704</b>	<b>\$ 22,452,496</b>	<b>\$ 33,281,200</b>	<b>\$ 36,663,760</b>

Governmental activities decreased the City's net position by \$2,218,332. The decrease is due primarily to increases in long term liabilities associated with providing pension and post-retirement health benefits. In addition, depreciation of assets acquired with grant funds collected in previous years also contributed to the decrease.

# **City of Pineville**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2017**

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Business-type activities decreased the City's net position by \$1,164,228, due primarily to transferring resources to governmental funds to enhance governmental services.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

An analysis of significant matters affecting the City's funds is presented as follows:

- The City's governmental funds reported a combined fund balance of \$8,594,394 which represents a decrease of \$994,591 in comparison to the previous balance. The decrease is primarily due to using a portion of the capital improvement funds reserves for current acquisitions, and the increase of expenditures across several general fund departments.
- The City's general fund, which is available for spending at the City's discretion, reported a fund balance of \$726,140. The general fund balance decreased by \$975,752 due to consumption of a portion of the fund's reserves.
- Amounts reported for business-type activities in the City's individual funds are identical to the business-type activities reported in the government-wide presentation.

### **GENERAL FUND BUDGET HIGHLIGHTS**

The City's general fund and sales tax funds are required to adopt an annual budget and the budgets are amended as necessary. Some revisions to the original budgets were made to address revenues and related expenditures that were not anticipated when the original budget was prepared.

### **CAPITAL ASSET ADMINISTRATION**

Highlights of the City's capital asset administration are provided as follows:

- Equipment purchases include new vehicles necessary to replace existing equipment that was retired as a result of ordinary wear.
- Work was completed on expanding the Sewer System on Highway 165.
- Construction on the Highland Drive Roadway and Youth Center Remodels made significant progress.

### **DEBT ADMINISTRATION**

In addition to paying installments due on existing obligations, the City collected \$27,441 in proceeds from the line of credit available under the Series 2010 Bond Issue. The proceeds were used to finance improvements to the Sewer System.

### **FACTORS EXPECTED TO AFFECT FUTURE OPERATIONS**

At the present time, no events or conditions have been identified that are expected to have a significant influence on future operations.

# **City of Pineville**

## **STATEMENT OF NET POSITION**

**June 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 2,444,866	\$ 5,624,704	\$ 8,069,570
Receivables (net)	1,266,219	1,129,877	2,396,096
Restricted asset			
Cash	-	1,021,247	1,021,247
Other assets	1,658	-	1,658
Internal balances	5,959,102	(5,959,102)	-
Capital assets			
Non depreciable capital assets	3,359,015	302,951	3,661,966
Depreciable capital assets, net	23,303,755	28,066,402	51,370,157
<b>Total assets</b>	<u>36,334,615</u>	<u>30,186,079</u>	<u>66,520,694</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension funding deferrals	<u>6,467,795</u>	<u>555,354</u>	<u>7,023,149</u>
<b><u>LIABILITIES</u></b>			
Accounts and other payables	1,077,451	77,781	1,155,232
Accrued interest	4,636	-	4,636
Accrued interest payable from restricted assets	-	25,839	25,839
Deposits due others	-	427,507	427,507
Long-term liabilities			
Compensated Absences	1,220,658	64,969	1,285,627
Net Other Post Employment Benefits	8,551,493	1,564,106	10,115,599
Net Pension Liability	19,082,581	1,339,253	20,421,834
Long-term Debt			
Due within one year	155,173	550,000	705,173
Due in more than one year	527,013	4,190,691	4,717,704
<b>Total liabilities</b>	<u>30,619,005</u>	<u>8,240,146</u>	<u>38,859,151</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension funding deferrals	<u>1,354,701</u>	<u>48,791</u>	<u>1,403,492</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	25,980,584	24,178,662	50,159,246
Restricted:			
Debt service	-	445,408	445,408
Capital projects and equipment acquisition	7,384,726	-	7,384,726
Economic Development	380,482	-	380,482
Other purposes	103,046	-	103,046
Unrestricted	<u>(23,020,134)</u>	<u>(2,171,574)</u>	<u>(25,191,708)</u>
<b>Total net position</b>	<u>\$ 10,828,704</u>	<u>\$ 22,452,496</u>	<u>\$ 33,281,200</u>

The accompanying notes are an integral part of the financial statements.

# **City of Pineville**

## **STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants &amp; Contributions</u>	
<b><u>Governmental Activities:</u></b>					
<b>General Government</b>					
Judicial	\$ 773,751	\$ 179,100	\$ -	\$ -	\$ (594,651)
Executive	338,892	-	-	-	(338,892)
Finance & Administrative	1,302,899	69,016	-	-	(1,233,883)
<b>Public Safety</b>					
Police Department	6,590,428	519,330	393,068	-	(5,678,030)
Fire Department	5,385,223	7,490	402,528	-	(4,975,205)
<b>Public Works</b>					
Administration	670,435	-	-	-	(670,435)
City Shop	251,144	-	-	-	(251,144)
Street Maintenance	1,552,375	42,750	-	289,652	(1,219,973)
Drainage Maintenance	745,857	-	-	-	(745,857)
Building Maintenance	322,300	66,105	-	-	(256,195)
Beautification	348,050	-	-	-	(348,050)
Health & Welfare (Impounding)	188,375	13,992	-	-	(174,383)
Economic Development	442,327	-	220,324	-	(222,003)
<b>Culture &amp; Recreation</b>					
Recreation Department	896,197	73,996	-	-	(822,201)
Community Services	996,193	-	-	-	(996,193)
Special Events	114,161	-	-	-	(114,161)
Interest on Long-Term Debt	31,359	-	-	-	(31,359)
<b>Total Governmental Activities</b>	<b>20,949,966</b>	<b>971,779</b>	<b>1,015,920</b>	<b>289,652</b>	<b>(18,672,615)</b>
<b><u>Business-Type Activities:</u></b>					
Utility System	5,182,200	5,734,924	-	-	552,724
Sanitation	1,751,375	1,581,411	-	-	(169,964)
Airport	116,777	3,800	-	8,945	(104,032)
<b>Total Business-Type Activities</b>	<b>7,050,352</b>	<b>7,320,135</b>	<b>-</b>	<b>8,945</b>	<b>278,728</b>
<b>Total</b>	<b>\$ 28,000,318</b>	<b>\$ 8,291,914</b>	<b>\$ 1,015,920</b>	<b>\$ 298,597</b>	<b>\$ (18,393,887)</b>

The accompanying notes are an integral part of the financial statements.

# **City of Pineville**

## **STATEMENT OF ACTIVITIES (Continued)**

**Year Ended June 30, 2017**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Net (Expense) Revenue (Continued From Previous Page)	<u>\$ (18,672,615)</u>	<u>\$ 278,728</u>	<u>\$ (18,393,887)</u>
<b>General Revenues:</b>			
Taxes:			
Ad Valorem	1,567,936	-	1,567,936
Sales	11,535,699	-	11,535,699
Licenses & Permits			
Franchise Fees	948,740	-	948,740
Occupational Licenses	674,769	-	674,769
Other	20,676	-	20,676
Intergovernmental	69,387	-	69,387
Other	174,234	19,886	194,120
Transfers	<u>1,462,842</u>	<u>(1,462,842)</u>	<u>-</u>
Total General Revenues, Special Items and Transfers	<u>16,454,283</u>	<u>(1,442,956)</u>	<u>15,011,327</u>
Change in Net Position	(2,218,332)	(1,164,228)	(3,382,560)
Net Position Beginning	<u>13,047,036</u>	<u>23,616,724</u>	<u>36,663,760</u>
Net Position Ending	<u>\$ 10,828,704</u>	<u>\$ 22,452,496</u>	<u>\$ 33,281,200</u>

The accompanying notes are an integral part of the financial statements.

# **City of Pineville**

## **Balance Sheet**

### **Governmental Funds - June 30, 2017**

	General Fund	Dedicated 1% Sales Tax	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 392,459	\$ -	\$ 1,500,241	\$ 552,166	\$ 2,444,866
Receivables (net)	700,538	339,349	226,332	-	1,266,219
Interfund Receivables	334,232	-	6,029,680	225,055	6,588,967
Restricted Cash	-	-	-	-	-
Other Assets	1,658	-	-	-	1,658
<b>Total assets</b>	<b>\$ 1,428,887</b>	<b>\$ 339,349</b>	<b>\$ 7,756,253</b>	<b>\$ 777,221</b>	<b>\$ 10,301,710</b>
<b>Liabilities and Fund Balance</b>					
<b><u>Liabilities</u></b>					
Accounts Payable	\$ 702,747	\$ -	\$ 371,527	\$ 3,177	\$ 1,077,451
Interfund Payables	-	339,349	-	290,516	629,865
<b>Total liabilities</b>	<b>702,747</b>	<b>339,349</b>	<b>371,527</b>	<b>293,693</b>	<b>1,707,316</b>
<b><u>Fund Balance</u></b>					
Restricted For:					
Capital Improvements	-	-	7,384,726	-	7,384,726
Economic Development	-	-	-	380,482	380,482
Other Special Purposes	-	-	-	103,046	103,046
Unassigned	726,140	-	-	-	726,140
<b>Total Fund Balances</b>	<b>726,140</b>	<b>-</b>	<b>7,384,726</b>	<b>483,528</b>	<b>8,594,394</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,428,887</b>	<b>\$ 339,349</b>	<b>\$ 7,756,253</b>	<b>\$ 777,221</b>	<b>\$ 10,301,710</b>

The accompanying notes are an integral part of the financial statements.

# **City of Pineville**

## **Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position**

**Year Ended June 30, 2017**

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Total Fund Balances - Governmental Funds	\$ 8,594,394
Amounts reported for governmental activities in the statement of net position are different because:	
Liabilities not due and payable in the current period are excluded from the Governmental Fund Balance Sheet	(29,541,554)
Deferred inflows of resources that do not meet criteria for inclusion in the Governmental Fund Balance Sheet	(1,354,701)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	26,662,770
Deferred outflows of resources that do not meet criteria for inclusion in the Governmental Fund Balance Sheet	<u>6,467,795</u>
Net Position of Governmental Activities	<u>\$ 10,828,704</u>

**The accompanying notes are an integral part of the financial statements.**

# **City of Pineville**

## **Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds - Year Ended June 30, 2017**

	General Fund	Dedicated 1% Sales Tax	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes:					
Ad Valorem	\$ 578,711	\$ -	\$ -	\$ 989,225	\$ 1,567,936
Sales	6,814,748	4,105,140	615,811	-	11,535,699
Licenses & Permits:					
Franchise Fees	948,740	-	-	-	948,740
Occupational Licenses	674,769	-	-	-	674,769
Other	20,676	-	-	-	20,676
Intergovernmental	1,012,590	-	311,834	219,984	1,544,408
Fines and Forfeitures	463,380	-	-	-	463,380
Other	461,572	-	-	51,612	513,184
<b>Total Revenues</b>	<b>10,975,186</b>	<b>4,105,140</b>	<b>927,645</b>	<b>1,260,821</b>	<b>17,268,792</b>
<b>Expenditures:</b>					
Current:					
General Government					
Judicial					
City Court	299,052	-	1,217	-	300,269
City Marshal	392,668	-	150	-	392,818
Executive	308,932	-	2,645	-	311,577
Finance & Administrative	1,233,921	-	12,136	-	1,246,057
Public Safety					
Police Department	5,988,171	-	187,101	-	6,175,272
Fire Department	4,691,766	-	120,278	-	4,812,044
Public Works					
Administration	590,845	-	37,275	-	628,120
City Shop	221,079	-	4,512	-	225,591
Street Maintenance	583,453	-	75,221	-	658,674
Drainage Maintenance	537,701	-	42,674	-	580,375
Building Maintenance	213,570	-	50,437	-	264,007
Beautification	272,129	-	43,628	-	315,757
Health & Welfare	165,239	-	2,638	-	167,877
Economic Development	144,167	-	-	298,160	442,327
Culture & Recreation					
Recreation Department	615,567	-	104,753	-	720,320
Community Services	927,612	-	18,858	-	946,470
Special Events & Projects	112,740	-	603	-	113,343
Capital Expenditures	-	-	1,280,303	-	1,280,303
Debt Service	-	-	88,546	56,478	145,024
<b>Total Expenditures</b>	<b>17,298,612</b>	<b>-</b>	<b>2,072,975</b>	<b>354,638</b>	<b>19,726,225</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(6,323,426)</b>	<b>4,105,140</b>	<b>(1,145,330)</b>	<b>906,183</b>	<b>(2,457,433)</b>

The accompanying notes are an integral part of the financial statements.

# **City of Pineville**

*Continued*

## **Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds - Year Ended June 30, 2017**

	General Fund	Dedicated 1% Sales Tax	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	(6,323,426)	4,105,140	(1,145,330)	906,183	(2,457,433)
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds From Long-Term Debt	-	-	-	-	-
Operating Transfers In	5,347,674	-	2,052,570	56,478	7,456,722
Operating Transfers Out	-	(4,105,140)	(893,636)	(995,104)	(5,993,880)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(975,752)	-	13,604	(32,443)	(994,591)
Fund Balance (Deficit) - Beginning of Year	<u>1,701,892</u>	<u>-</u>	<u>7,371,122</u>	<u>515,971</u>	<u>9,588,985</u>
Fund Balance (Deficit) - End of Year	<u>\$ 726,140</u>	<u>\$ -</u>	<u>\$ 7,384,726</u>	<u>\$ 483,528</u>	<u>\$ 8,594,394</u>

The accompanying notes are an integral part of the financial statements.

# **City of Pineville**

## **Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities**

**Year Ended June 30, 2017**

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Net change in fund balances of Governmental Funds	\$ (994,591)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. The effect of capital expenditures and depreciation are presented as follows:	
Capital Expenditures	1,280,303
Depreciation	(1,600,502)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures by governmental funds.	(824,408)
Governmental funds report pension expense based on contributions required for the current year; however, pension expense reported on the government wide basis is influenced by actuarial considerations.	(191,942)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>112,808</u>
Change in net position of governmental activities	<u>\$ (2,218,332)</u>

**The accompanying notes are an integral part of the financial statements.**

# **City of Pineville**

## **Statement of Net Position**

**Proprietary Funds - June 30, 2017**

	Business-Type Activities - Enterprise Funds			
	Utility	Nonmajor		Total
	System	Sanitation	Funds	
<b><u>ASSETS:</u></b>				
Current Assets:				
Cash and cash equivalents	\$ 4,209,165	\$ 1,415,539	\$ -	\$ 5,624,704
Receivables (net)	864,084	265,793	-	1,129,877
Interfund receivables	12,696	-	-	12,696
Total current assets	5,085,945	1,681,332	-	6,767,277
Restricted Assets:				
Cash and cash equivalents	1,021,247	-	-	1,021,247
Noncurrent Assets:				
Construction in process	228,968	-	73,983	302,951
Depreciable capital assets, net	26,225,007	368,824	1,472,571	28,066,402
Total assets	32,561,167	2,050,156	1,546,554	36,157,877
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>				
Pension funding deferrals	399,816	155,538	-	555,354
<b><u>LIABILITIES:</u></b>				
Current Liabilities:				
Accounts and other payables	43,203	34,578	-	77,781
Interfund payables	5,164,188	769,703	37,907	5,971,798
Compensated absences	47,907	17,062	-	64,969
Deposits due others	427,507	-	-	427,507
Total current liabilities	5,682,805	821,343	37,907	6,542,055
Liabilities Payable From Restricted Assets:				
Accrued interest payable from restricted assets	25,839	-	-	25,839
Current portion of long-term debt	550,000	-	-	550,000
Noncurrent Liabilities:				
Other Post Employment Benefits	1,124,601	439,505	-	1,564,106
Net Pension Liability	920,386	418,867	-	1,339,253
Long-term debt	4,190,691	-	-	4,190,691
Total liabilities	12,494,322	1,679,715	37,907	14,211,944
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>				
Pension funding deferrals	35,124	13,667	-	48,791
<b><u>NET POSITION:</u></b>				
Invested in capital assets, net of related debt	22,263,284	368,824	1,546,554	24,178,662
Restricted for debt service	445,408	-	-	445,408
Unrestricted	(2,277,155)	143,488	(37,907)	(2,171,574)
Total net position	\$ 20,431,537	\$ 512,312	\$ 1,508,647	\$ 22,452,496

The accompanying notes are an integral part of the financial statements.

# **City of Pineville**

## **Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds - June 30, 2017**

	Business-Type Activities - Enterprise Funds			
	Utility System	Sanitation	Nonmajor Funds	Total
<b><u>Operating Revenues:</u></b>				
Service Fees	\$ 5,475,349	\$ 1,533,620	\$ 3,800	\$ 7,012,769
Other	259,575	47,791	-	307,366
<b>Total Operating Revenues</b>	<b>5,734,924</b>	<b>1,581,411</b>	<b>3,800</b>	<b>7,320,135</b>
<b><u>Operating Expenses:</u></b>				
Salaries	1,020,553	439,203	-	1,459,756
Contract Labor	14,823	202,664	-	217,487
Legal and Professional	102,700	4,200	1,585	108,485
Insurance	125,000	125,000	1,295	251,295
Repairs & Maintenance	549,274	127,956	5,858	683,088
Supplies & Chemicals	299,188	80,501	-	379,689
Employee Benefits	596,042	260,793	-	856,835
Landfill Disposal Cost	-	365,906	-	365,906
Utilities	660,622	-	9,337	669,959
Permits and Testing	65,484	1,546	-	67,030
Depreciation	1,347,321	118,102	96,892	1,562,315
Bad Debts	170,000	25,000	-	195,000
Other	60,688	504	1,810	63,002
<b>Total Operating Expenses</b>	<b>5,011,695</b>	<b>1,751,375</b>	<b>116,777</b>	<b>6,879,847</b>
<b>Operating Income (Loss)</b>	<b>723,229</b>	<b>(169,964)</b>	<b>(112,977)</b>	<b>440,288</b>
<b><u>Nonoperating Revenues (Expenses):</u></b>				
Interest Revenue	16,867	3,019	-	19,886
Interest Expense	(170,505)	-	-	(170,505)
<b>Change in Net Position Before Contributions and Transfers</b>	<b>569,591</b>	<b>(166,945)</b>	<b>(112,977)</b>	<b>289,669</b>
<b><u>Contributions and Transfers:</u></b>				
Capital Contributions	-	-	8,945	8,945
Operating Transfers In	706,496	126,339	4,323	837,158
Operating Transfers Out	(2,300,000)	-	-	(2,300,000)
<b>Change in Net Position</b>	<b>(1,023,913)</b>	<b>(40,606)</b>	<b>(99,709)</b>	<b>(1,164,228)</b>
<b>Total Net Position - Beginning</b>	<b>21,455,450</b>	<b>552,918</b>	<b>1,608,356</b>	<b>23,616,724</b>
<b>Total Net Position - Ending</b>	<b>\$ 20,431,537</b>	<b>\$ 512,312</b>	<b>\$ 1,508,647</b>	<b>\$ 22,452,496</b>

The accompanying notes are an integral part of the financial statements.

# **City of Pineville**

## **Statement of Cash Flows**

### **Proprietary Funds - Year Ended June 30, 2017**

	Business-Type Activities - Enterprise Funds			
	Utility		Nonmajor	
	System	Sanitation	Funds	Total
<b><u>Cash flow from operating activities:</u></b>				
Cash received from customers	\$ 5,607,903	\$ 1,577,945	\$ 3,800	\$ 7,189,648
Cash payments to suppliers of goods and services	(2,470,417)	(1,154,716)	(19,886)	(3,645,019)
Cash payments to employees for services	<u>(1,008,715)</u>	<u>(443,200)</u>	<u>-</u>	<u>(1,451,915)</u>
Net cash provided (used) by operating activities	<u>2,128,771</u>	<u>(19,971)</u>	<u>(16,086)</u>	<u>2,092,714</u>
<b><u>Cash flows from non-capital financing activities:</u></b>				
Change in interfund balances	1,391,269	882,185	11,733	2,285,187
Operating transfers in	706,496	126,339	4,323	837,158
Operating transfers out	<u>(2,300,000)</u>	<u>-</u>	<u>-</u>	<u>(2,300,000)</u>
Net cash provided (used) by non-capital financing activities	<u>(202,235)</u>	<u>1,008,524</u>	<u>16,056</u>	<u>822,345</u>
<b><u>Cash flows from capital and related financing activities:</u></b>				
Capital expenditures	(491,764)	(124,890)	(8,915)	(625,569)
Proceeds from capital grants	-	-	8,945	8,945
Proceeds from issuing revenue bonds	27,441	-	-	27,441
Principle paid on revenue bonds	(528,034)	-	-	(528,034)
Interest paid on debt instruments	<u>(171,906)</u>	<u>-</u>	<u>-</u>	<u>(171,906)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,164,263)</u>	<u>(124,890)</u>	<u>30</u>	<u>(1,289,123)</u>
<b><u>Cash flows from investing activities:</u></b>				
Interest and other income	<u>16,867</u>	<u>3,019</u>	<u>-</u>	<u>19,886</u>
Net cash provided (used) by investing activities	<u>16,867</u>	<u>3,019</u>	<u>-</u>	<u>19,886</u>
Net increase (decrease) in cash	779,140	866,682	-	1,645,822
Beginning cash balance	<u>4,451,272</u>	<u>548,857</u>	<u>-</u>	<u>5,000,129</u>
Ending cash balance	5,230,412	1,415,539	-	6,645,951
Restricted cash and cash equivalents	<u>1,021,247</u>	<u>-</u>	<u>-</u>	<u>1,021,247</u>
Cash and cash equivalents	<u>\$ 4,209,165</u>	<u>\$ 1,415,539</u>	<u>\$ -</u>	<u>\$ 5,624,704</u>

The accompanying notes are an integral part of the financial statements.

# **City of Pineville**

## **Statement of Cash Flows (Continued)**

### **Proprietary Funds - Year Ended June 30, 2017**

	Business-Type Activities - Enterprise Funds			
	Utility	Nonmajor		Total
	System	Sanitation	Funds	
<b><u>Reconciliation of operating income (loss)</u></b>				
<b><u>to net cash provided (used) by operating</u></b>				
<b><u>activities</u></b>				
Operating income (loss)	\$ 723,229	\$ (169,964)	\$ (112,978)	\$ 440,287
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,347,321	118,102	96,892	1,562,315
(Increase) decrease in accounts receivable	(133,003)	(3,466)	-	(136,469)
(Increase) decrease in other assets	35,692	-	-	35,692
(Decrease) increase in accounts and other payables	11,392	(10,181)	-	1,211
(Decrease) increase in compensated absences	11,838	(3,997)	-	7,841
(Decrease) increase in Other Post Employment Benefits	121,633	37,122	-	158,755
Change in net pension liabilities and deferrals	4,687	12,413	-	17,100
(Decrease) increase in meter deposits	5,982	-	-	5,982
Net cash provided (used) by operating activities	<u>\$ 2,128,771</u>	<u>\$ (19,971)</u>	<u>\$ (16,086)</u>	<u>\$ 2,092,714</u>

#### **Supplemental disclosures of cash flow information:**

During the year ended June 30, 2017 there were no operating, financing, or investing activities during the year that did not result in cash receipts or payments.

**The accompanying notes are an integral part of the financial statements.**

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Pineville (the City) was incorporated under the provisions of the Lawrason Act. The City is governed by a Mayor and a Board of Alderman consisting of five (5) members. Services provided by the City include police protection, fire protection, street maintenance, drainage, recreation and sanitation. The City also operates a water distribution system, a sewer system and a municipal airport.

The accompanying policies conform to generally accepted accounting principles for governmental units.

#### **Financial Reporting Entity**

As the municipal governing authority, for reporting purposes, the City is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the City), (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 is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards establish criteria for determining which component units should be considered part of the City of Pineville for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

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

Based on the criteria presented above, the City has no component units. In reaching this conclusion, the operations of the City Court System were considered; however it was determined that the City Court System did not meet the necessary criteria for classification as a component unit. Component unit status does not apply because the City Court System is managed by elected officials and it functions in a fiscally independent manner.

#### **Basic Financial Statements**

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

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The government-wide and fund financial statements present the City's financial position and results of operations from differing perspectives which are described as follows:

### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the City as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

### **Fund Financial Statements**

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and business-type (enterprise) funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The City's major funds are described as follows:

#### **Major Governmental Funds**

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

**Dedicated 1% Sales Tax** – The sales tax fund is a special revenue fund used to account for the proceeds of a restricted 1% sales tax that is described in Note 5.

**Capital Improvements** – The capital improvement fund is a capital project fund that is used to account for a portion of sales tax proceeds that are restricted for capital expenditures and related debt service.

#### **Major Business-Type Funds**

**Utility System** – The utility fund is used to account for the operation of the City's water and sewer system, which are supported by user charges.

**Sanitation** – The sanitation fund is used to account for activity associated with collecting and disposing of garbage and trash. The operation of this fund is supported by user charges.

Business-Type funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for water, sewer service and sanitation.

### **Basis of Accounting and Measurement Focus**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

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<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	No Measurement Focus

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure of funds. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt are reported as an other financing source and repayment of long-term debt is reported as an expenditure of funds.

### **Use of Estimates**

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Restricted Assets:**

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources.

### **Budget Practices:**

Budgets including any amendments are prepared in the manner prescribed by Louisiana revised statutes. City budgets present revenue and expenditures on a basis which is consistent with generally accepted accounting principles. Budgets are adopted annually for the general fund and each special revenue fund. The remaining funds are not required to adopt budgets.

### **Capital Assets**

Capital assets, which include property, equipment and infrastructure, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the City. As required by Governmental Accounting Standards, the City has retroactively capitalized infrastructure acquired by governmental funds since 1980. Infrastructure capitalized retroactively includes streets, sidewalks, bridges, and drainage improvements.

Capital assets are depreciated using the straight-line method and estimated useful lives ranging from 4 to 50 years. Useful lives are selected depending on the expected durability of the particular asset.

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

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### **Cash and Cash Equivalents:**

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

### **Internal Activity:**

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

### **Compensated Absences**

Full time and regular part-time employees earn vacation at rates that vary depending on length of service and civil service classification. Unused vacation that employees are allowed to carry forward is reported as a liability. The portion of the liability for compensated absences attributable to governmental funds and activities is typically liquidated by the general fund.

### **Fund Balance Classification:**

Approval of the majority of the Board of Aldermen is required to approve the commitment of fund balances. In situations where it is permissible to spend restricted or committed resources, the City typically depletes the available restricted or committed resources before consuming unrestricted resources.

### **NOTE 2 - ACCOUNTS RECEIVABLE**

Accounts receivable for the year ended June 30, 2017 are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Accounts Receivable</u>			
Charges for Services	\$ ----	\$ 2,429,877	\$ 2,429,877
Franchise Taxes	104,043	---	104,043
Other	19,839	---	19,839
<u>Total Accounts Receivable</u>	<u>123,882</u>	<u>2,429,877</u>	<u>2,553,759</u>

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Due From Other Governmental Units</u>			
Occupational Licenses	14,981	---	14,981
Grant Reimbursements	175,429	---	175,429
Sales Taxes	951,927	---	951,927
Other	---	---	---
<b>Total Due From Other Governments</b>	<b>1,142,337</b>	<b>---</b>	<b>1,142,337</b>
Total Receivables	1,266,219	2,429,877	3,696,096
Allowance for Doubtful Accounts	---	(1,300,000)	(1,300,000)
<b>Receivables (Net)</b>	<b>\$ 1,266,219</b>	<b>\$ 1,129,877</b>	<b>\$ 2,396,096</b>

### **NOTE 3 - CASH AND CASH EQUIVALENTS**

At June 30, 2017, cash and cash equivalents included the following amounts:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash Deposited in Banks	\$ 2,444,256	\$ 6,644,451	\$ 9,088,707
Petty Cash	610	1,500	2,110
<b>Total Cash</b>	<b>2,444,866</b>	<b>6,645,951</b>	<b>9,090,817</b>
Restricted Cash	---	1,021,247	1,021,247
<b>Cash and Cash Equivalents</b>	<b>\$ 2,444,866</b>	<b>\$ 5,624,704</b>	<b>\$ 8,069,570</b>

Cash deposited in banks is stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2017, the City has \$9,088,707 in deposits (\$9,301,422 collected bank balance). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$9,051,423 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized, State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

### **NOTE 4 - LONG-TERM DEBT**

Debt attributable to the acquisition of the City's utility system and the operation of the utility system is reported as an obligation of the City's business-type enterprise funds. Remaining debts are reported as governmental activities. The City's debts are summarized as follows:

# ***City of Pineville***

## **Notes To Financial Statements**

**June 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Certificates of Indebtedness	\$ 230,000	\$ ----	\$ 230,000
Installment Purchase Agreement	452,186	----	452,186
Revenue Bonds	----	4,785,917	4,785,917
<b>Total Obligations</b>	<b>682,186</b>	<b>4,785,917</b>	<b>5,468,103</b>
Deferred Issue Cost	----	(45,226)	(45,226)
<b>Total Long-term Debt</b>	<b>682,186</b>	<b>4,740,691</b>	<b>5,422,877</b>
Due Within One Year	155,173	550,000	705,173
Due in More Than One Year	\$ 527,013	\$ 4,190,691	\$ 4,717,704

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b><u>Governmental Activities</u></b>				
Certificates of Indebtedness	\$ 270,000	\$ ----	\$ 40,000	\$ 230,000
Installment Purchase Agreement	524,994	----	72,808	452,186
<b>Total Governmental Activities</b>	<b>794,994</b>	<b>----</b>	<b>112,808</b>	<b>682,186</b>
<b><u>Business-Type Activities</u></b>				
Revenue Bonds	5,293,476	27,441	535,000	4,785,917
<b>Total Business-Type Activities</b>	<b>5,293,476</b>	<b>27,441</b>	<b>535,000</b>	<b>4,785,917</b>
<b>Total Long-term Debts</b>	<b>\$ 6,088,470</b>	<b>\$ 27,441</b>	<b>\$ 647,808</b>	<b>\$ 5,468,103</b>

### **Certificates of Indebtedness**

The City has issued certificates which are secured by and payable from a pledge of the excess of annual revenues above statutory, necessary and usual charges incurred by the City. Certificates of indebtedness outstanding at June 30, 2017 are described as follows:

\$650,000 Certificates of Indebtedness, Series 2001A bearing interest at a rates ranging from 4.10% to 6.75%. Principle is payable in annual installments ranging from \$20,000 to \$50,000, with the final installment due September 1, 2021. The certificates are callable for redemption at any time after September 1, 2009. \$ 230,000

### **Installment Purchase Agreement**

The City has executed an installment purchase agreement to finance the acquisition of a fire fighting vehicle equipped with an aerial platform. Terms of the agreement are described as follows:

\$756,910 Installment Purchase Agreement payable in 120 monthly installments of \$7,379 including interest based on a rate of 3.2%, with the final installment due January 18, 2023. \$ 452,186

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

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### **Revenue Bonds**

The City has issued revenue bonds that are secured by and payable solely from a pledge of funds generated by a specific revenue source. Revenue bonds outstanding at June 30, 2017 are described as follows:

\$5,680,000 Utility Revenue Bonds Series 2006, bearing interest at rates ranging from 4.0% to 5.0%. The bonds mature serially on May 1<sup>st</sup> of each year in amounts ranging from \$175,000 to \$470,000. Final maturity is scheduled for May 1, 2026, unless the City elects to redeem the bonds prior to maturity. Bonds become eligible for redemption on May 1, 2016. \$ 3,425,000

\$4,500,000 Utility Revenue Bonds Series 2010, bearing interest at a rate of 0.95%. The face value of the bonds is available to reimburse construction certain construction costs and as of June 30, 2017 \$2,250,907 has been collected. The bonds mature serially on May 1<sup>st</sup> of each year, and if the entire \$4,500,000 is utilized, the amounts will range from \$155,000 to \$250,000. Final maturity is scheduled for May 1, 2032, unless the City elects to redeem the bonds prior to maturity. 1,360,917

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**Total Revenue Bonds** **\$ 4,785,917**

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### **Maturity of Long-term Debt**

A schedule of maturities of long-term debt excluding compensated absences and capital leases is presented as follows:

<u>Year Ended June 30<sup>th</sup></u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal Installments</u>	<u>Interest</u>	<u>Principal Installments</u>	<u>Interest</u>
2018	115,173	27,281	550,000	149,929
2019	122,614	22,076	560,000	135,554
2020	125,134	16,597	580,000	120,474
2021	132,736	10,848	600,000	104,594
2022	135,423	4,811	620,000	88,066
2023 – 2027	51,106	546	1,875,917	179,539
<b>Total Governmental</b>	<b>\$ 682,186</b>	<b>\$ 82,159</b>	<b>\$ 4,785,917</b>	<b>\$ 778,155</b>

### **NOTE 5 – TAXES:**

#### **Ad Valorem Taxes:**

The City bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Rapides Parish. For the year ended June 30, 2017, the City has levied ad valorem taxes as follows:

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

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<b><u>Description</u></b>	<b><u>Mills Levied</u></b>
Levied for general alimony as permitted by State Law. Revenue from taxes levied for general alimony is reported by the general fund.	5.85
Levied per proposition originally approved May 14, 1991 authorizing 10 mills for a period of 10 years beginning with 1991 and subsequently renewed through 2020 for the purpose of paying salaries of the employees of the fire and police departments. Due to the restricted nature of these taxes, the revenue is reported in a special revenue fund.	<u>10.00</u>
	<u>15.85</u>

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Revenues from ad valorem taxes are recognized as revenue in the year billed.

### **Sales Taxes:**

Sales taxes are collected by the Parish of Rapides and remitted to the City on a monthly basis. For the year ended June 30, 2017 the City has levied sales taxes as follows:

<b><u>Description</u></b>	<b><u>Percentage Levied</u></b>
Levied per proposition approved the citizens of Pineville authorizing a tax for the operation of the General Fund. Revenue generated by this tax is reported by the General fund.	1%
Levied per proposition approved by the citizens of Pineville authorizing a tax "with the avails or proceeds of said tax to be dedicated and pledged to the payment of principle and interest and other amounts required on any sales tax revenue bonds issued by the City for any lawful public purpose; provided, however, that the avails or proceeds of said tax not required in each month for principle, interest and other payments on any sales tax revenue bonds, shall be allocated in an amount equal to 50% of the proceeds of the tax for paying salaries of municipal employees of said City and the remaining proceeds of the tax for capital acquisitions for said City including equipment, furnishings and improvements to municipal property that may include but are not limited to streets, sidewalks, bridges, waterworks, sewers, drains and recreation and fire protection facilities. Since revenue from this source is subject to various restrictions, it is reported in a special revenue fund.	1%
Levied per proposition approved by the citizens of Pineville on July 16, 2006, authorizing a tax with 70% of the proceeds to be dedicated to salary and benefits, and 30% of the proceeds to be dedicated to capital improvement projects for the purpose of acquire, construction, improving, maintaining and operating public facilities, including water and sewer systems and street and drainage systems.	0.5%

In addition to the taxes described above, the City is also entitled to receive a portion (5%) of a parish wide sales tax. Since the parish wide tax is unrestricted, its proceeds are reported as revenue by the general fund.

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

### **NOTE 6 – CAPITAL ASSETS**

Changes in governmental and business-type capital assets are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b><u>Governmental Activities</u></b>				
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 2,509,518	\$ ----	\$ ----	\$ 2,509,518
Construction in Process	384,568	464,929	----	849,497
Total	<u>2,894,086</u>	<u>464,929</u>	<u>----</u>	<u>3,359,015</u>
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	6,628,396	33,317	----	6,661,713
Furniture, Fixtures and Equipment	5,957,398	645,211	----	6,602,609
Infrastructure	26,623,010	136,846	----	26,759,856
Accumulated Depreciation	(15,119,921)	(1,600,502)	----	(16,720,423)
Total	<u>24,088,883</u>	<u>(785,128)</u>	<u>----</u>	<u>23,303,755</u>
Total Governmental Activities	<u>\$ 26,982,969</u>	<u>\$ (320,199)</u>	<u>\$ ----</u>	<u>\$ 26,662,770</u>
<b><u>Business-Type Activities</u></b>				
<b>Non Depreciable Capital Assets</b>				
Airport Construction in Process	\$ 65,070	\$ 8,915	\$ ----	\$ 73,985
Utility Construction in Process	148,856	80,110	----	228,966
Total Construction in Process	<u>213,926</u>	<u>89,025</u>	<u>----</u>	<u>302,951</u>
<b>Depreciable Capital Assets</b>				
Sanitation Equipment	1,167,904	124,891	----	1,292,795
Utility Equipment	902,343	193,209	----	1,095,552
Utility System	46,947,060	218,446	----	47,165,506
Airport Improvements	2,239,475	----	----	2,239,475
Accumulated Depreciation	(22,164,611)	(1,562,315)	----	(23,726,926)
Total	<u>29,092,171</u>	<u>(1,025,769)</u>	<u>----</u>	<u>28,066,402</u>
Total Business-Type Activities	<u>\$ 29,306,097</u>	<u>\$ (936,744)</u>	<u>\$ ----</u>	<u>\$ 28,369,353</u>

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Judicial	\$ 4,585	\$ ----	\$ 4,585
Finance & Administrative	3,762	----	3,762
Police Department	197,305	----	197,305
Fire Department	180,537	----	180,537
Public Works Administration	7,648	----	7,648
City Shop	3,681	----	3,681
Street Maintenance	862,853	----	862,853
Drainage Maintenance	145,847	----	145,847
Building Maintenance	32,231	----	32,231
Health & Welfare (Impounding)	1,885	----	1,885
Recreation Department	133,873	----	133,873
Community Services	10,482	----	10,482
Beautification	15,813	----	15,813
Utility System	----	1,347,321	1,347,321
Sanitation	----	118,102	118,102
Airport	----	96,892	96,892
	<u>\$ 1,600,502</u>	<u>\$ 1,562,315</u>	<u>\$ 3,162,817</u>
Total Depreciation Expense	<u>\$ 1,600,502</u>	<u>\$ 1,562,315</u>	<u>\$ 3,162,817</u>

### **NOTE 7 – ACCOUNTS AND OTHER PAYABLES**

Details related to amounts reported as accounts and other payables are provided as follows:

	<u>Governmental Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Improve- ments</u>	<u>Other</u>	
Payable to Vendors	\$ 374,477	\$ 348,903	\$ 3,177	\$ 726,557
Construction Contract Retainage	----	22,625	----	22,625
Accrued Wages	172,342	----	----	172,342
Payroll Taxes and Withholding	29,604	----	----	29,604
Economic Development Cooperative Endeavor (See Note 15)	126,323	----	----	126,323
Total	<u>\$ 702,746</u>	<u>\$ 371,528</u>	<u>\$ 3,177</u>	<u>\$ 1,077,451</u>
	<u>Business-Type Activities</u>			
	<u>Utility System</u>	<u>Sanitation</u>	<u>Other</u>	<u>Total</u>
Payable to Vendors	\$ 26,118	\$ 26,806	\$ ----	\$ 52,924
Accrued Wages	17,086	7,771	----	24,857
Total	<u>\$ 43,204</u>	<u>\$ 34,577</u>	<u>\$ ----</u>	<u>\$ 77,781</u>

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

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### **NOTE 8- RISK MANAGEMENT**

The City is exposed to various risk of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City insures against these risks by participation in public entity risk pools that operate as common insurance programs and by purchasing commercial insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

### **NOTE 9 - RESTRICTED RESOURCES**

The City's net position is subject to restrictions described as follows:

- Bond covenants require the City to establish bank accounts which serve as debt service and depreciation reserves. Funds may be disbursed from these accounts only under specific circumstances described by the bond covenants.
- Certain sales taxes proceeds are available only for capital projects and the acquisition of equipment.
- The City has received funds subject to the requirement that these resources be used only to promote economic development.

### **NOTE 10 – PENSION PLANS:**

Substantially all City employees are members of statewide retirement systems. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. A summary of amounts reported in connection with participation in these plans is summarized as follows:

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Municipal Employees' Retirement System	\$ 4,111,470	\$ 1,672,323	\$ 146,961
Firefighters' Retirement System of Louisiana	7,202,065	2,446,422	875,704
Municipal Police Employees' Retirement System of Louisiana	<u>9,108,298</u>	<u>2,904,404</u>	<u>380,827</u>
Total	20,421,833	7,023,149	1,403,492
Portion Applicable to Business Type Activities	<u>1,339,252</u>	<u>555,354</u>	<u>48,791</u>
Portion Applicable to Government Type Activities	<u>\$ 19,082,581</u>	<u>\$ 6,467,795</u>	<u>\$ 1,354,701</u>

Further information regarding each of the retirement systems presented above is furnished as follows:

### **Municipal Employees' Retirement System of Louisiana:**

**Plan Description** -The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the City participating in the retirement system are members of Plan B. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

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above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

**Funding Policy** - Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by State law, 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 contributions to the system were equal to the required contributions for the year.

**Financial Summary** – The plan description, funding policies and financial information provides a summary of the Plan provisions and finances. For additional details, the System issues an annual publicly available stand-alone financial report. The financial report includes information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The report can be obtained on the internet at mersla.com. The plans net pension liability was determined at June 30, 2016 (measurement date and actuarial valuation date) and details are provided as follows:

Net Pension Liability	\$ 82,890,844
City's Proportionate Share (Percentage)	4.96 %
City's Proportionate Share (Amount)	<u>\$ 4,111,470</u>

The net pension liability presented above was not affected by any special funding situations. Changes in the City's proportionate share of Plan's net pension liability during the measurement period ending June 30, 2016 are provided as follows:

Beginning Net Pension Liability		\$ 3,361,045
Employer Contributions		(346,201)
<u>Pension Expense</u>		
Proportionate Share of Plan Pension Expense	678,503	
Changes in Benefit Terms	----	
Employee Contributions	<u>(122,132)</u>	556,371
Change in Deferred Outflows of Resources		440,393
Change in Deferred Inflows of Resources		<u>99,862</u>
Ending Net Pension Liability		<u>\$ 4,111,470</u>

There were no changes between June 30, 2017 and the Plan's measurement date that are expected to have a significant effect on the City's proportionate share of the collective net pension liability. Balances presented as deferred outflows of resources and deferred inflows of resources reported in connection with participation in the plan are presented as follows:

# ***City of Pineville***

## ***Notes To Financial Statements***

***June 30, 2017***

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
Differences Between Expected and Actual Experience	\$ 33,722	\$ 59,406	\$ (25,684)
Net Difference Between Projected and Actual Investment			
Earnings on Pension Plan Investments	1,007,793	----	1,007,793
Changes of Assumptions	204,879	----	204,879
Changes in Proportion	5,945	87,555	(81,610)
Employer Contributions Made After the Measurement Date	<u>419,984</u>	<u>----</u>	<u>419,984</u>
Total Deferrals	1,672,323	146,961	1,525,362
Deferrals That Will be Recorded as a Reduction in Net Pension Liability in the Subsequent Reporting Period	<u>419,984</u>	<u>----</u>	<u>419,984</u>
Deferrals Subject to Amortization	<u>\$ 1,252,339</u>	<u>\$ 146,961</u>	<u>\$ 1,105,378</u>

Deferrals that will be amortized as a component of pension expense in future periods are summarized as follows:

<u>For the Year Ending:</u>	
June 30, 2017	\$ 281,780
June 30, 2018	335,122
June 30, 2019	335,074
June 30, 2020	<u>153,402</u>
Total	<u>\$ 1,105,378</u>

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	5.00% (2.875% Inflation, 2.125% Merit)
Mortality Rates	RP-2000 Disabled Lives Mortality Table for employees (set back 5 years for males and set back 3 years for males) RP-2000 Healthy Annuitant Sex Distinct Table for healthy annuitants (set forward 2 years for males and 1 year for females projected to 2028 using scale AA.) RP-2000 Disabled Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)
Expected Remaining Service Lives	3 years for Plan A and 4 years for Plan B

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

### Cost of Living Adjustments

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

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public Equity	50%	2.60%
Public Fixed Income	35%	1.80%
Alternatives	15%	0.80%
Totals	<u>100%</u>	<u>5.20%</u>
Inflation		<u>2.50%</u>
Expected Arithmetic Nominal Return		<u>7.70%</u>

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 benefit payments to determine the total pension liability.

Sensitivity to changes in the discount has been determined by measuring net pension liability at a discount rate that is one percentage point lower and one percentage point higher than the current rate. The results are presented as follows:

	<u>1% Decrease 6.5% Discount Rate</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase 8.5 % Discount</u>
Net Pension Liability	\$ 5,318,723	\$ 4,111,470	\$ 3,081,441

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

**Plan Description** – Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3<sup>1/3</sup> percent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The system also provides death and disability benefits. Benefits are established or amended by state statute.

**Funding Policy** – Plan members are required by state statute to contribute 10.0 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the City are established and may be amended by state statute. As proved by state law, the employer contributions are

# **City of Pineville**

## **Notes To Financial Statements**

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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 contributions to the plan were equal to the required contributions for the year.

**Financial Summary** – The plan description, funding policies and financial information provides a summary of the Plan provisions and finances. For additional details, the System issues an annual publicly available stand-alone financial report. The financial report includes information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The report can be obtained on the internet at lafirefightersret.com. The plans net pension liability was determined at June 30, 2016 (measurement date and actuarial valuation date) and details are provided as follows:

Net Pension Liability	\$ 654,090,406
City's Proportionate Share (Percentage)	1.10%
City's Proportionate Share (Amount)	<u>\$ 7,202,065</u>

The net pension liability presented above was not affected by any special funding situations. Changes in the City's proportionate share of Plan's net pension liability during the measurement period ending June 30, 2016 are provided as follows:

Beginning Net Pension Liability		\$ 6,135,852
Employer Contributions		(677,577)
<u>Pension Expense</u>		
Proportionate Share of Plan Pension Expense	1,014,567	
Changes in Benefit Terms	----	
Employee Contributions	<u>(273,348)</u>	741,219
Change in Deferred Outflows of Resources		1,057,949
Change in Deferred Inflows of Resources		<u>(55,378)</u>
Ending Net Pension Liability		<u>\$ 7,202,065</u>

There were no changes between June 30, 2017 and the Plan's measurement date that are expected to have a significant effect on the City's proportionate share of the collective net pension liability. Balances presented as deferred outflows of resources and deferred inflows of resources reported in connection with participation in the plan are presented as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
Differences Between Expected and Actual Experience	\$ ----	\$ 285,086	\$ (285,086)
Net Difference Between Projected and Actual Investment			
Earnings on Pension Plan Investments	1,730,899	----	1,730,899
Changes of Assumptions	62,068	2,007	60,061
Changes in Proportion	----	588,611	(588,611)
Employer Contributions Made After the Measurement Date	<u>653,455</u>	----	<u>653,455</u>
Total Deferrals	2,446,422	875,704	1,570,718
Deferrals That Will be Recorded as a Reduction in Net Pension Liability in the Subsequent Reporting Period	<u>653,455</u>	----	<u>653,455</u>
Deferrals Subject to Amortization	<u>\$ 1,792,967</u>	<u>\$ 875,704</u>	<u>\$ 917,263</u>

# **City of Pineville**

## **Notes To Financial Statements**

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Deferrals that will be amortized as a component of pension expense in future periods are summarized as follows:

<u>For the Year Ending:</u>	
June 30, 2017	\$ 263,893
June 30, 2018	263,893
June 30, 2019	372,615
June 30, 2020	131,725
June 30, 2021	(78,947)
Thereafter	<u>(35,916)</u>
<b>Total</b>	<b><u>\$ 917,263</u></b>

A summary of the actuarial methods and assumptions used in determining the total pension liability as of the measurement date are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost
Expected Remaining Service Lives	7 Years
Investment Rate of Return	7.5% per annum
Inflation Rate	2.875% per annum
Projected Salary Increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years.
Cost of Living Adjustments	Only those previously granted

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

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

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Expected Portfolio Real Rate of Return</u>
Fixed Income	24%	1.85%
Equity	58%	6.77%
Alternatives	8%	6.67%
Other	10%	4.30%
Totals	<u>100%</u>	<u>5.34%</u>
Inflation		3.00%
Expected Arithmetic Nominal Return		<u>8.34%</u>

# **City of Pineville**

## **Notes To Financial Statements**

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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 benefit payments to determine the total pension liability.

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

Sensitivity to changes in the discount has been determined by measuring net pension liability at a discount rate that is one percentage point lower and one percentage point higher than the current rate. The results are presented as follows:

	1% Decrease 6.5% Discount Rate	Current Discount Rate 7.5%	1% Increase 8.5 % Discount
Net Pension Liability	\$ 9,812,232	\$ 7,202,065	\$ 5,006,963

### **Municipal Police Employees' Retirement System of Louisiana**

**Plan Description** - All full-time police department employees engaged in law enforcement are eligible to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

**Funding Policy** - Plan members are required by state statute to contribute 10.0 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. 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 contributions to the plan were equal to the required contributions for the year.

**Financial Summary** - The plan description, funding policies and financial information provides a summary of the Plan provisions and finances. For additional details, the System issues an annual publicly available stand-alone financial report available on the internet at [www.mersla.com](http://www.mersla.com). The financial report includes information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The report can be obtained on the internet at [lampers.org](http://lampers.org). The plans net pension liability was determined at June 30, 2016 (measurement date and actuarial valuation date) and details are provided as follows:

Net Pension Liability	\$ 937,281,735
City's Proportionate Share (Percentage)	0.972%
City's Proportionate Share (Amount)	<u>\$ 9,108,298</u>

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

The net pension liability presented above was not affected by any special funding situations. Changes in the City's proportionate share of Plan's net pension liability during the measurement period ending June 30, 2016 are provided as follows:

Beginning Net Pension Liability		\$ 7,413,585
Employer Contributions		(803,861)
<u>Pension Expense</u>		
Proportionate Share of Plan Pension Expense	1,056,445	
Changes in Benefit Terms	----	
Employee Contributions	<u>(180,801)</u>	875,644
Change in Deferred Outflows of Resources		1,339,514
Change in Deferred Inflows of Resources		<u>283,416</u>
Ending Net Pension Liability		<u>\$ 9,108,298</u>

There were no changes between June 30, 2017 and the Plan's measurement date that are expected to have a significant effect on the City's proportionate share of the collective net pension liability. Balances presented as deferred outflows of resources and deferred inflows of resources reported in connection with participation in the plan are presented as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
Differences Between Expected and Actual Experience	\$ ----	\$ 144,890	\$ (144,890)
Net Difference Between Projected and Actual Investment			
Earnings on Pension Plan Investments	1,401,526	----	1,401,526
Changes of Assumptions	442,851	548	442,303
Changes in Proportion	142,024	235,389	(93,365)
Employer Contributions Made After the Measurement Date	<u>918,003</u>	-----	<u>918,003</u>
Total Deferrals	2,904,404	380,827	2,523,577
Deferrals That Will be Recorded as a Reduction in Net Pension Liability in the Subsequent Reporting Period	<u>918,003</u>	----	<u>918,003</u>
Deferrals Subject to Amortization	<u>\$ 1,986,401</u>	<u>\$ 380,827</u>	<u>\$ 1,605,574</u>

Deferrals that will be amortized as a component of pension expense in future periods are summarized as follows:

<u>For the Year Ending:</u>	
June 30, 2017	\$ 271,628
June 30, 2018	373,976
June 30, 2019	603,979
June 30, 2020	<u>355,991</u>
Total	<u>\$ 1,605,574</u>

A summary of the actuarial methods and assumptions used in determining the total pension liability as of the measurement date are as follows:

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

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Valuation Date	June 30, 2016								
Actuarial Cost Method	Entry Age Normal Cost								
Investment Rate of Return	7.5% per annum								
Expected Remaining Service Lives	4 Years								
Inflation Rate	2.875% per annum								
Projected Salary Increases Including Inflation and Merit	<table><thead><tr><th><u>Years of Service</u></th><th><u>Salary Growth Rate</u></th></tr></thead><tbody><tr><td>1 - 2</td><td>9.75%</td></tr><tr><td>3 - 23</td><td>4.75%</td></tr><tr><td>23 &amp; Over</td><td>4.25%</td></tr></tbody></table>	<u>Years of Service</u>	<u>Salary Growth Rate</u>	1 - 2	9.75%	3 - 23	4.75%	23 & Over	4.25%
<u>Years of Service</u>	<u>Salary Growth Rate</u>								
1 - 2	9.75%								
3 - 23	4.75%								
23 & Over	4.25%								

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Equity	53%	3.69%
Fixed Income	21%	0.49%
Alternatives	20%	1.11%
Other	6%	0.21%
Totals	100%	5.50%
Inflation		2.75%
Expected Arithmetic Nominal Return		8.25%

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 benefit payments to determine the total pension liability.

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

Sensitivity to changes in the discount has been determined by measuring net pension liability at a discount rate that is one percentage point lower and one percentage point higher than the current rate. The results are presented as follows:

# **City of Pineville**

## **Notes To Financial Statements**

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	1% Decrease 6.5% Discount Rate	Current Discount Rate 7.5%	1% Increase 8.5 % Discount
Net Pension Liability	\$ 12,142,144	\$ 9,108,298	\$ 6,561,108

### **NOTE 11 – INTERNAL BALANCES**

Details related to internal balances are presented as follows:

<u>Governmental Activities</u>	<u>Receivable (Payable)</u>	<u>Purpose</u>
General	\$ 334,232	Various funds deposit cash into a single bank account and money is disbursed from the account on behalf of these funds. This commingling of resources results in interfund receivables and payables.
Capital Improvements	6,029,680	
1% Dedicated Sales Tax	(339,349)	
Non-major Governmental Funds	(65,461)	
	<u>\$ 5,959,102</u>	

<u>Business-Type Activities</u>	<u>Receivable (Payable)</u>	<u>Purpose</u>
Utility	\$ (5,151,492)	Various funds deposit cash into a single bank account and money is disbursed from the account on behalf of these funds. This commingling of resources results in interfund receivables and payables.
Sanitation	(769,703)	
Non-major	(37,907)	
	<u>\$ (5,959,102)</u>	

### **NOTE 12 - TRANSFERS**

In the ordinary course of business, the City routinely transfers resources between its funds for various reasons. A description of the transfers and the purpose for the transfers is presented as follows:

	<u>Governmental Activities</u>				<u>Total</u>
	<u>General Fund</u>	<u>Dedicated 1% Sales Tax</u>	<u>Capital Improve- ments</u>	<u>Other</u>	
<b><u>Transfers In</u></b>					
Transfers of resources from restricted funds to reimburse other funds for expenditures satisfying the restrictions.	\$ 3,047,674	\$ ----	\$ 2,052,570	\$ 56,478	\$ 5,156,722
Transfer excess utility revenues to the general fund.	2,300,000	----	----	----	2,300,000
Total Transfers In	<u>5,347,674</u>	----	<u>2,052,570</u>	<u>56,478</u>	<u>7,456,722</u>

# **City of Pineville**

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	<b>Governmental Activities</b>				<b>Total</b>
	<b>General Fund</b>	<b>Dedicated 1% Sales Tax</b>	<b>Capital Improvements</b>	<b>Other</b>	
<b><u>Transfers Out</u></b>					
Transfers of resources from restricted funds to reimburse other funds for expenditures satisfying the restrictions.	----	4,105,140	893,636	995,104	5,993,880
<b>Net Transfers</b>	<b>\$ 5,347,674</b>	<b>\$ (4,105,140)</b>	<b>\$ 1,158,934</b>	<b>\$ (938,626)</b>	<b>\$ 1,462,842</b>

	<b>Business-Type Activities</b>			
	<b>Utility System</b>	<b>Sanitation</b>	<b>Other</b>	<b>Total</b>
<b><u>Transfers In</u></b>				
Transfers of resources from restricted funds to reimburse other funds for expenditures satisfying the restrictions.	\$ 706,496	\$ 126,339	\$ 4,323	\$ 837,158
<b><u>Transfers Out</u></b>				
Transfer excess utility revenues to the general fund.	2,300,000	----	----	2,300,000
<b>Net Transfers</b>	<b>\$ (1,593,504)</b>	<b>\$ 126,339</b>	<b>\$ 4,323</b>	<b>\$ (1,462,842)</b>

### **NOTE 13 – CONTINGENCIES:**

Existing conditions that may have financial consequences are referred to as contingencies. Contingencies existing at June 30, 2017 are described as follows:

#### **Litigation:**

Like most governmental units with extensive and diverse operations, the City is occasionally named as a defendant in litigation. Based on consultation with City Attorney, the ultimate outcome of litigation that is pending or anticipated cannot be estimated at the present time; however, exposure to losses are expected to be limited to the deductible provisions of insurance policies.

#### **Grant Compliance:**

The City receives state and federal assistance through various grant programs. Management is confident that all significant grant conditions have been met; however, grantor agencies routinely review grant activity and could request reimbursement if a dispute occurs regarding compliance with grant conditions. In the current year, the Governor's Office of Homeland Security and Emergency Preparedness began one such review regarding assistance provided during cleanup from Hurricane Gustav. While it is not certain at this time whether the City will owe any monies to GOHSEP, the amount could be as high as \$68, 223.

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

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### **Economic Development Cooperative Endeavor:**

As discussed in Note 15, the City is obligated to refund a portion of its sales tax receipts if certain criteria are met. At the present time, it has not been determined whether the applicable refund criteria will be met for the current year. However, in order to provide for the probability that the criteria will be met, a liability in the amount of \$126,323 has been recorded.

### **NOTE 14 – OTHER POST-EMPLOYMENT BENEFITS:**

Details regarding other post-employment benefits that the City provides for its workforce are provided as follows:

#### **Plan Description**

The City of Pineville's medical benefits are provided through a self-insured medical plan and are made available to employees upon actual retirement. The benefits provided by the Plan are granted voluntarily by the City's governing body and can be modified at the discretion of the governing body. All of the plans activities are included in the accompanying financial report and it does not issue stand-alone financial statements.

The employees are covered by one of four retirement systems: the Municipal Employees' Retirement System of Louisiana, the Firefighters' Retirement System of Louisiana, the Municipal Police Retirement System of Louisiana, and the Louisiana State Employees' Retirement System (LASERS). The retirement eligibility (D.R.O.P. entry) provisions of these systems are similar and since we did not have the identity of the system in which each active employee participates, we have assumed a composite retirement (D.R.O.P. entry) eligibility as follows: 25 years of service at any age; or, age 60 and 15 years of service.

#### **Contribution Rates**

Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

#### **Fund Policy**

Funding has been limited to health insurance premiums paid on behalf of employees.

#### **Annual Required Contribution**

The City of Pineville's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with Generally Accepted Accounting Standards. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by Standards has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	<b>Government Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Normal cost	\$ 540,638	\$ 95,407	\$ 636,045
30-year UAL amortization amount	703,096	124,076	827,172
Annual required contribution (ARC)	<u>\$ 1,243,734</u>	<u>\$ 219,483</u>	<u>\$ 1,463,217</u>

#### **Net Post-employment Benefit Obligation (Asset)**

The table below shows the City of Pineville's Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending June 30:

# **City of Pineville**

## **Notes To Financial Statements**

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	<b>Government Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
Beginning Net OPEB Obligation	<u>\$ 7,697,451</u>	<u>\$ 1,405,351</u>	<u>\$ 9,102,802</u>
Annual required contribution	1,233,860	229,357	1,463,217
Interest on Net OPEB Obligation	307,038	57,074	364,112
ARC Adjustment	<u>(443,901)</u>	<u>(82,515)</u>	<u>(526,416)</u>
OPEB Cost	<u>1,096,997</u>	<u>203,916</u>	<u>1,300,913</u>
Current year retiree premium	<u>(242,954)</u>	<u>(45,162)</u>	<u>(288,116)</u>
Change in Net OPEB Obligation	<u>854,043</u>	<u>158,754</u>	<u>1,012,797</u>
Ending Net OPEB Obligation	<u>\$ 8,551,494</u>	<u>\$ 1,564,105</u>	<u>\$ 10,115,599</u>

The following table shows the City of Pineville's annual post-employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post-employment benefits (PEB) liability for last year and this year:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual Cost Contributed</b>	<b>Net OPEB Liability (Asset)</b>
June 30, 2017	\$ 1,300,913	22.15%	\$ 10,115,599
June 30, 2016	\$ 1,389,743	11.63%	\$ 9,102,802
June 30, 2015	\$ 1,389,743	15.53%	\$ 7,874,773

### **Funded Status and Funding Progress**

In 2017, the City of Pineville made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the July 1, 2016 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2017 was \$14,875,558 which is defined as that portion, as determined by a particular actuarial cost method (the City of Pineville uses the Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

Actuarial Accrued Liability (AAL)	\$	14,875,558
Actuarial Value of Plan Assets (AVP)		-
Unfunded Act. Accrued Liability (UAAL)	\$	<u>14,875,558</u>
Funded Ratio (AVP/AAL)		0.00%
Covered Payroll (active plan members)	\$	9,669,067
UAAL as a percentage of covered payroll		153.85%

# **City of Pineville**

## **Notes To Financial Statements**

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### **Actuarial Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Pineville and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Pineville and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Pineville and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

### **Actuarial Cost Method**

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

### **Actuarial Value of Plan Assets**

There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50.

### **Turnover Rate**

An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 8%.

### **Post-employment Benefit Plan Eligibility Requirements**

Based on past experience and retirement patterns, it has been assumed that entitlement to employer-paid retiree medical benefits will commence three years after D.R.O.P. entry, as described above under "Plan Description". Medical benefits are provided to employees upon actual retirement.

### **Investment Return Assumption (Discount Rate)**

GASB Codification Section P50 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

### **Health Care Cost Trend Rate**

The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

### **Mortality Rate**

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future

# **City of Pineville**

## **Notes To Financial Statements**

**June 30, 2017**

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mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

### **Method of Determining Value of Benefits**

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays a portion of the retiree and dependent coverage, but it is based on the blended rate (active and retiree) before age 65 Medicare eligibility. Since GASB 45 requires the use of unblended rates, we have "unblended" the rates before age 65 by assuming the unblended rate for retirees is 130% of the total blended rate. The employer portion is thus the unblended total rate less the portion paid by the retiree.

### **Inflation Rate**

Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

### **Projected Salary Increases**

This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

### **Post-retirement Benefit Increases**

The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Below is a summary of OPEB cost and contributions for the last three fiscal calendar years.

	<b>OPEB Costs and Contributions</b>		
	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
OPEB Cost	\$ 1,389,743	\$ 1,389,743	\$ 1,300,913
Contribution	----	----	----
Retiree Premium	<u>215,773</u>	<u>161,714</u>	<u>288,116</u>
Total Cont. and Prem.	<u>215,773</u>	<u>161,714</u>	<u>288,116</u>
Change in OPEB Obl.	\$ 1,173,970	\$ 1,228,029	\$ 1,012,797
% of cont. to cost	0.00%	0.00%	0.00%
% of con. Plus prem. To Cost	15.53%	11.64%	22.15%

### **NOTE 15 – ECONOMIC DEVELOPMENT**

In order to enhance the local economy, the City has entered into a cooperative endeavor agreement with a major retailer. Under the terms of this arrangement, the retailer has established a facility in the City of Pineville. In exchange for the benefits accruing to the City as a result of the facility, the City has agreed to reimburse a portion of the sales taxes generated by the facility; however, reimbursements are required only if certain conditions are fulfilled. The potential reimbursement is limited to forty percent (40%) of the sales taxes generated by the facility over a period of ten (10) years. Furthermore, the total amount that may be reimbursed under this arrangement is limited to \$2,000,000, with installments scheduled to begin 13 months after the opening of the facility.

### **NOTE 16 – ON BEHALF PAYMENTS**

The State of Louisiana provides supplemental pay for public safety employees that meet certain requirements. Amounts reported as revenue and expenditures in connection with State Supplemental Pay are presented as follows:

Police Department	\$ 306,693
Fire Department	306,232
<b>Total</b>	<b>\$ 612,925</b>

# **City of Pineville**

## **General Fund**

### **Statement of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual - Year Ended June 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<b><u>Revenues:</u></b>				
<b>Taxes:</b>				
Ad Valorem	\$ 557,300	\$ 580,000	\$ 578,711	\$ (1,289)
Sales	6,432,780	6,790,000	6,814,748	24,748
<b>Licenses &amp; Permits:</b>				
Franchise Fees	954,700	939,700	948,740	9,040
Occupational Licenses	624,000	669,660	674,769	5,109
Other	22,400	19,900	20,676	776
Intergovernmental	1,194,900	1,087,400	1,012,590	(74,810)
Fines and Forfeitures	305,000	405,500	463,380	57,880
Other	<u>205,900</u>	<u>203,240</u>	<u>461,572</u>	<u>258,332</u>
<b>Total revenues</b>	<b><u>10,296,980</u></b>	<b><u>10,695,400</u></b>	<b><u>10,975,186</u></b>	<b><u>279,786</u></b>
<b><u>General Government:</u></b>				
<b>Current:</b>				
General Government				
Judicial				
City Court	275,300	301,240	299,052	2,188
City Marshal	396,600	413,150	392,668	20,482
Executive	297,100	306,590	308,932	(2,342)
Finance & Administrative	1,120,400	1,158,050	1,233,921	(75,871)
Public Safety				
Police Department	5,514,600	5,864,905	5,988,171	(123,266)
Fire Department	4,118,200	4,725,430	4,691,766	33,664
Public Works				
Administration	617,200	590,050	590,845	(795)
City Shop	239,300	216,560	221,079	(4,519)
Street Maintenance	598,000	587,315	583,453	3,862
Drainage Maintenance	459,700	515,490	537,701	(22,211)
Building Maintenance	209,400	213,965	213,570	395
Beautification	231,600	268,155	272,129	(3,974)
Health & Welfare (Impounding)	160,900	168,170	165,239	2,931
Economic Development	-	-	144,167	-
Culture & Recreation				
Recreation Department	390,000	496,625	615,567	(118,942)
Community Services	572,900	920,475	927,612	(7,137)
Special Events	84,900	115,470	112,740	2,730
Debt Service	-	-	-	-
<b>Total expenditures</b>	<b><u>15,286,100</u></b>	<b><u>16,861,640</u></b>	<b><u>17,298,612</u></b>	<b><u>(292,805)</u></b>

# **City of Pineville**

## **General Fund**

### **Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**

**Budget and Actual - Year Ended June 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	(4,989,120)	(6,166,240)	(6,323,426)	(157,186)
<b><u>Other Financing Sources (Uses):</u></b>				
Operating Transfers In	4,746,590	5,551,000	5,347,674	(203,326)
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues and Other Sources</b>				
<b>Over Expenditures and Other</b>				
<b>Uses</b>	(242,530)	(615,240)	(975,752)	(360,512)
<b>Fund Balance (Deficit) -</b>				
<b>Beginning of Year</b>	<u>1,701,892</u>	<u>1,701,892</u>	<u>1,701,892</u>	<u>-</u>
<b>Fund Balance (Deficit) -</b>				
<b>End of Year</b>	<u>\$ 1,459,362</u>	<u>\$ 1,086,652</u>	<u>\$ 726,140</u>	<u>\$ (360,512)</u>

# **City of Pineville**

## **Dedicated 1% Sales Tax Fund**

### **Statement of Revenues, Expenditures and Changes in Fund Balances**

**Budget and Actual - Year Ended June 30, 2017**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Sales Taxes	\$ 3,737,180	\$ 4,422,000	\$ 4,105,140	\$ (316,860)
Other	-	-	-	-
<b>Total revenues</b>	<u>3,737,180</u>	<u>4,422,000</u>	<u>4,105,140</u>	<u>(316,860)</u>
<b><u>General Government:</u></b>				
Current	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	3,737,180	4,422,000	4,105,140	(316,860)
<b><u>Other Financing Sources (Uses):</u></b>				
Operating Transfers Out	<u>(3,737,180)</u>	<u>(4,422,000)</u>	<u>(4,105,140)</u>	<u>316,860</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues and Other Sources</b>				
<b>Over Expenditures and Other</b>				
<b>Uses</b>	-	-	-	-
<b>Fund Balance (Deficit) -</b>				
<b>Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance (Deficit) -</b>				
<b>End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# **City of Pineville**

## ***Schedule of Funding Progress Retiree Healthcare Plan***

	<b>Actuarial Valuation Date July 1, 2012</b>	<b>Actuarial Valuation Date July 1, 2014</b>	<b>Actuarial Valuation Date July 1, 2016</b>
Actuarial Value of Assets	\$ -	\$ -	\$ -
Actuarial Accrued Liability	\$ 12,317,902	\$ 14,704,899	\$ 14,875,558
Unfunded Actuarial Accrued Liability	\$ 12,317,902	\$ 14,704,899	\$ 14,875,558
Funded Ratio	0.00%	0.00%	0.00%
Covered Payroll	\$ 8,725,280	\$ 9,449,420	\$ 9,669,067
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	141.2%	155.6%	153.8%

### **Supplemental Disclosures:**

At June 30, 2017, management was not aware of any factors expected to significantly affect the identification of trends in the amounts reported

# **City of Pineville**

## **Schedule of Net Pension Liability Data Cost Sharing Retirement Systems**

Retirement System / Measurement Date	Share of Collective Net Pension Liability		Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll	Pension Plans Fiduciary Net Position as a Percentage of Total Pension Liability
	Percent	Amount			
<b>Municipal Employees' Retirement System</b>					
June 30, 2014	5.13%	2,408,581	3,213,600	74.9%	76.9%
June 30, 2015	4.95%	3,361,045	3,948,863	85.1%	68.7%
June 30, 2016	4.96%	4,111,470	3,485,307	118.0%	63.3%
<b>Firefighters's Retirement System</b>					
June 30, 2014	1.17%	5,227,669	2,430,602	215.1%	76.0%
June 30, 2015	1.14%	6,135,852	2,312,995	265.3%	72.4%
June 30, 2016	1.10%	7,202,065	2,578,258	279.3%	68.2%
<b>Municipal Police Employees' Retirement System</b>					
June 30, 2014	0.99%	6,192,420	2,726,632	227.1%	75.1%
June 30, 2015	0.95%	7,413,585	2,722,695	272.3%	70.7%
June 30, 2016	0.97%	9,108,298	2,797,770	325.6%	66.0%

**Notes to Schedule:**

At the present time, management has not identified any factors that are expected to significantly affect trends in the amounts reported above.

# **City of Pineville**

## ***Schedule of Employer Contributions Cost Sharing Retirement Systems***

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Retirement System / Fiscal Year Ending	Statutorily Required Employer Contributions	Contributions Recognized By the Pension Plan	Difference Between Required and Recognized Contributions	Covered Payroll	Contributions Recognized as a Percentage of Covered Payroll
<b>Municipal Employees' Retirement System</b>					
June 30, 2014	305,292	314,657	(9,365)	3,213,600	9.79%
June 30, 2015	375,142	325,892	49,250	3,948,863	8.25%
June 30, 2016	419,984	346,199	73,785	3,485,307	9.93%
<b>Firefighters's Retirement System</b>					
June 30, 2014	678,774	686,645	(7,871)	2,430,602	28.25%
June 30, 2015	676,551	707,739	(31,188)	2,312,995	30.60%
June 30, 2016	653,455	677,577	(24,122)	2,578,258	26.28%
<b>Municipal Police Employees' Retirement System</b>					
June 30, 2014	814,226	845,256	(31,030)	2,726,632	31.00%
June 30, 2015	803,195	797,993	5,202	2,722,695	29.31%
June 30, 2016	918,003	803,861	114,142	2,797,770	28.73%

**Notes to Schedule:**

At the present time, management has not identified any factors that are expected to significantly affect trends in the amounts reported above.

# **City of Pineville**

## **Combining Balance Sheet Non Major Governmental Funds June 30, 2017**

	Economic Development		Dedicated 10	Cemetery Fund	Court Witness Fees	Series 2001 A	Asset Forfeiture	LCDBG	Total Non Major Funds
	Hotel Motel Tax	Utility Franchise	Mill Ad Valorem Tax						
<b>Assets</b>									
Cash and Cash Equivalents	\$ 469,147	\$ -	\$ 9,967	\$ 72,952	\$ -	\$ -	\$ -	\$ 100	\$ 552,166
Receivables (net)	-	-	-	-	-	-	-	-	-
Interfund Receivables	-	200,000	1,590	-	17,879	-	5,586	-	225,055
Restricted cash	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 469,147</u>	<u>\$ 200,000</u>	<u>\$ 11,557</u>	<u>\$ 72,952</u>	<u>\$ 17,879</u>	<u>\$ -</u>	<u>\$ 5,586</u>	<u>\$ 100</u>	<u>\$ 777,221</u>
<b>Liabilities and Fund Balance</b>									
<b><u>Liabilities</u></b>									
Accounts payable	\$ 3,177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3,177
Interfund Payables	285,488	-	-	317	-	-	-	4,711	290,516
<b>Total liabilities</b>	<u>288,665</u>	<u>-</u>	<u>-</u>	<u>317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,711</u>	<u>293,693</u>
<b><u>Fund Balance</u></b>									
Restricted For:									
Economic Development	180,482	200,000	-	-	-	-	-	-	380,482
Other Special Purposes	-	-	11,557	72,635	17,879	-	5,586	(4,611)	103,046
Unassigned	-	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<u>180,482</u>	<u>200,000</u>	<u>11,557</u>	<u>72,635</u>	<u>17,879</u>	<u>-</u>	<u>5,586</u>	<u>(4,611)</u>	<u>483,528</u>
<b>Total Liabilities and Fund Balance</b>									
<b>Balance</b>	<u>\$ 469,147</u>	<u>\$ 200,000</u>	<u>\$ 11,557</u>	<u>\$ 72,952</u>	<u>\$ 17,879</u>	<u>\$ -</u>	<u>\$ 5,586</u>	<u>\$ 100</u>	<u>\$ 777,221</u>

# City of Pineville

## **Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non Major Governmental Funds - Year Ended June 30, 2017**

	Economic Development		Dedicated 10	Cemetery Fund	Court Witness Fees	Series 2001 A	Asset Forfeiture	LCDBG	Total Non Major Funds
	Hotel Motel Tax	Utility Franchise	Mill Ad Valorem Tax						
<b>Revenues:</b>									
Ad Valorem Taxes	\$ -	\$ -	\$ 989,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 989,225
Intergovernmental	219,984	-	-	-	-	-	-	-	219,984
Licenses & Permits:									
Franchise Fees	-	-	-	-	-	-	-	-	-
Other	35,846	-	5,156	291	10,319	-	-	-	51,612
<b>Total Revenues</b>	<b>255,830</b>	<b>-</b>	<b>994,381</b>	<b>291</b>	<b>10,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,260,821</b>
<b>Expenditures:</b>									
Current:									
Economic Development	298,160	-	-	-	-	-	-	-	298,160
City Court	-	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-	-
Capital Expenditures	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	56,478	-	-	56,478
<b>Total Expenditures</b>	<b>298,160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,478</b>	<b>-</b>	<b>-</b>	<b>354,638</b>
<b>Excess (Deficiency) of</b>									
<b>Revenues Over Expenditures</b>	<b>(42,330)</b>	<b>-</b>	<b>994,381</b>	<b>291</b>	<b>10,319</b>	<b>(56,478)</b>	<b>-</b>	<b>-</b>	<b>906,183</b>
<b>Other Financing Sources (Uses):</b>									
Operating Transfers In	-	-	-	-	-	56,478	-	-	56,478
Operating Transfers Out	-	-	(995,104)	-	-	-	-	-	(995,104)
<b>Excess (Deficiency) of</b>									
<b>Revenues and Other Sources</b>									
<b>Over Expenditures and Other</b>									
<b>Uses</b>	<b>(42,330)</b>	<b>-</b>	<b>(723)</b>	<b>291</b>	<b>10,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,443)</b>
<b>Fund Balance (Deficit)</b>									
Beginning of Year	222,812	200,000	12,280	72,344	7,560	-	5,586	(4,611)	515,971
End of Year	\$ 180,482	\$ 200,000	\$ 11,557	\$ 72,635	\$ 17,879	\$ -	\$ 5,586	\$ (4,611)	\$ 483,528

# **CITY OF PINEVILLE**

## ***Schedule of Compensation Paid to Board Members For the year ended June 30, 2017***

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Clarence Fields	76,270
Mary Galloway	8,400
Kevin Dorn	8,400
Nathan Martin	8,400
Tom Bouchie	8,400
Christy Frederic	<u>8,400</u>
Total Compensation	<u><u>\$ 118,270</u></u>

# **CITY OF PINEVILLE**

***Schedule of Compensation, Benefits and Other Payments  
to Agency Head or Chief Executive Officer  
For the year ended June 30, 2017***

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## **Agency Head (Mayor) - Clarence Fields**

**Purpose:**

Compensation \$ 76,270

Benefits

Health Insurance 4,655

Retirement 8,040 12,695

Reimbursements -

# **CITY OF PINEVILLE**

## ***Summary of Findings and Questioned Cost June 30, 2017***

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### **PART I - SUMMARY OF AUDITOR'S RESULTS:**

- The Independent Auditor's Report on the financial statements for the City of Pineville as of June 30, 2017 and for the year then ended expressed an unmodified opinion.
- A deficiency in internal control was reported in connection with the audit, as listed below.
- Two acts of noncompliance material to the financial statements of the City of Pineville were disclosed during the audit as listed below.

### **PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:**

#### **2017-1: BOND COVENANT**

The City is obligated by agreements with its utility revenue bond holders to charge rates for utility service that are sufficient to fund operations, debt service, and transfers out to other funds. Rates in place during the year ended June 30, 2017 were not sufficient to meet these obligations. As a result, the unrestricted net position for the City's utility fund was at a deficit at year end.

#### **2017-2 RECREATION ACTIVITIES**

In connection with operating its facilities, the City's Recreation Department conducts certain recreation leagues and concession stand activities. Since these operations are conducted in remote locations, the transactions are not subject to the centralized accounting policies and procedures that apply to the City's typical financial activity. In order to resolve this weakness, the City should implement corrective action. Potential courses of corrective action are presented as follows:

- Adopt an accounting system that captures and reports recreation activities. The accounting system should include written policies and procedures. At a minimum, the policies and procedures should address matters listed as follows:
  - Collection of sales proceeds and fees, including policies for issuing receipts.
  - Security, custody, storage and counting of currency in a manner that identifies amounts collected and held at each location.
  - Depositing revenue in the City's pooled cash account.
  - Retaining documentation to support amounts reported in the accounting records.
  - Reporting inventory of merchandise held for sale.
- As an alternative to implementing an accounting system, the City could transfer responsibility for operating leagues and concession stands to private operators. Privatizing these activities would alleviate the need for an accounting system because the operations would no longer involve public funds.

#### **2017-3 BUDGET VARIANCES**

Challenges associated with forecasting sales tax collections resulted in a budget variance of more than 5%. This is a technical matter that is not expected to result in any unfavorable consequences or require detailed corrective action.

### **PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:**

None

# **CITY OF PINEVILLE**

## **Management's Corrective Action Plan**

**June 30, 2017**

<b>SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.</b>	
<b><u>FINDINGS</u></b>	<b><u>RESPONSE</u></b>
<p><b><u>2017-1: Bond Covenant</u></b> The City is obligated by agreements with its utility revenue bond holders to charge rates for utility service that are sufficient to fund operations, debt service and transfers out to other funds. Rates in place during the year ended June 30, 2017 were not sufficient to meet these obligations. As a result, the unrestricted net position for the City's utility fund was at a deficit at year end.</p> <p><b><u>2017-2 Recreation Activities</u></b> In connection with operating its facilities, the City's Recreation Department conducts certain recreation leagues and concession stand activities. Since these operations are conducted in remote locations, the transactions are not subject to the centralized accounting policies and procedures that apply to the City's typical financial activity. In order to resolve this weakness, the City should implement corrective action.</p> <p><b><u>2017-3: Budget Variances</u></b> Challenges associated with forecasting sales tax collections resulted in a budget variance of more than 5%. This is a technical matter that is not expected to result in any unfavorable consequences or require detailed corrective action.</p>	<p><b><u>2017-1: Response</u></b> On September 13, 2016, the City adopted a new utility rate structure that is expected to resolve the bond covenant issue, as the new rates will be in effect for the entirety of the upcoming fiscal year.</p> <p><b><u>2017-2: Response</u></b> Management has implemented corrective action by arranging to transfer responsibility for concession activity to other organizations.</p> <p><b><u>2017-3: Response:</u></b> Management anticipates that subsequent sales tax collection forecast will be more consistent with actual collects and limit the size of budget variances.</p>
<b>SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
<b><u>FINDINGS</u></b>	<b><u>RESPONSE</u></b>
<p>No Findings of this nature.</p>	<p>No response necessary</p>
<b>SECTION III MANAGEMENT LETTER</b>	
<b><u>FINDINGS</u></b>	<b><u>RESPONSE</u></b>
<p>No Findings of this nature.</p>	<p>No response necessary</p>

# **CITY OF PINEVILLE**

## ***Summary of Prior Year Findings and Questioned Cost June 30, 2017***

<b>SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.</b>	
<b><u>FINDINGS</u></b>	<b><u>RESPONSE</u></b>
<p><b><u>2016-1: Bond Covenant</u></b> The City is obligated by agreements with its utility revenue bond holders to charge rates for utility service that are sufficient to fund operations, debt service and transfers out to other funds. Rates in place during the year ended June 30, 2016 were not sufficient to meet these obligations. As a result, the unrestricted net position for the City's utility fund was a deficit at year end.</p> <p><b><u>2016-2 Recreation Activities</u></b> In connection with operating its facilities, the City's Recreation Department conducts certain recreation leagues and concession stand activities. Since these operations are conducted in remote locations, the transactions are not subject to the centralized accounting policies and procedures that apply to the City's typical financial activity. In order to resolve this weakness, the City should implement corrective action.</p>	<p><b><u>Unresolved</u></b> The finding has been repeated as 2017-1; however, an increase in utility rates in September of 2016 is expected to resolve this issue in the upcoming fiscal year.</p> <p><b><u>Unresolved</u></b> Collections by the Recreation Department continue to be conducted in an unsupervised manner featuring an overall absence of internal controls or accountability. See 2017-2 for the current finding related to this matter.</p>
<b>SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
<b><u>FINDINGS</u></b>	<b><u>RESPONSE</u></b>
<b><u>No Findings of this nature.</u></b>	<b><u>No response necessary</u></b>
<b>SECTION III MANAGEMENT LETTER</b>	
<b><u>FINDINGS</u></b>	<b><u>RESPONSE</u></b>
<b><u>No Findings of this nature.</u></b>	<b><u>No response necessary</u></b>

**APPENDIX A**  
**Statewide Agreed-Upon  
Procedures**



**Rozier Harrington  
& McKay** | CERTIFIED PUBLIC  
ACCOUNTANTS |

Independent Accountant's Report  
On Applying Agreed-Upon Procedures

The Honorable Clarence Fields, Mayor  
The Board of Alderman and  
The Louisiana Legislative Auditor:

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

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

The procedures and associated results are presented in the accompanying Schedule of Procedures, Results and Managements' Response.

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

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

Rozier, Harrington and McKay  
Certified Public Accountants  
Alexandria, Louisiana

**City of Pineville**

**Statewide Agreed-Upon Procedures**

**Schedule of Procedures, Results and Managements' Response**

<b>Written Policies and Procedures</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
<p>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:</p> <ul style="list-style-type: none"> <li>• Budgeting</li> <li>• Purchasing</li> <li>• Disbursements</li> <li>• Receipts</li> <li>• Payroll/Personnel</li> <li>• Contracting</li> <li>• Credit Cards</li> <li>• Travel and expense reimbursements</li> <li>• Ethics</li> <li>• Debt</li> </ul>	<p>The City does not have any written procedures regarding the following functions:</p> <ul style="list-style-type: none"> <li>○ Budgeting</li> <li>○ Purchasing</li> <li>○ Disbursements</li> <li>○ Receipts</li> <li>○ Contracting</li> <li>○ Credit Cards</li> <li>○ Travel and Expense Reimbursement</li> <li>○ Ethics</li> <li>○ Debt Service</li> </ul> <p>The City's written policies covered all required elements of the following functions:</p> <ul style="list-style-type: none"> <li>○ Payroll</li> </ul>	<p><i>We will examine our written procedures, and in consultation with our auditors and inspection of the Legislative Auditor's "Best Practices", develop written policies for the specified functions.</i></p>

# **City of Pineville**

## **Statewide Agreed-Upon Procedures**

### **Schedule of Procedures, Results and Managements' Response**

<b>Board (or Finance Committee)</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
<p>2 Obtain and review the board/committee minutes for the fiscal period, and:</p> <p>a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation</p> <p>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)</p> <p>c) If budgets are adopted that increase an existing deficit, is there a formal written plan to eliminate deficit spending and do the minutes indicate periodic monitoring of the plan?</p> <p>d) 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.</p>	<p>RHM has reviewed the board and committee minutes for the fiscal period.</p> <p>The board met with a quorum at least monthly.</p> <p>Budget-to-Actual comparisons are not included as part of the Board's monthly report.</p> <p>Not applicable, no budgets were adopted that increase an existing deficit.</p> <p>Monthly, the Board's report includes the cash balance in the City's main accounts, and includes a detailed report on sales tax collections.</p>	<p><i>The results did not contain any critical comments</i></p> <p><i>The results did not contain any critical comments</i></p> <p><i>The City's Finance Department already produces budget to actual reports for the individual department heads. All members of the board are able to inspect these reports after their production. We will consider whether these reports should be a part of the board's monthly financial report.</i></p> <p><i>The results did not contain any critical comments.</i></p> <p><i>The results did not contain any critical comments.</i></p>

**City of Pineville**

**Statewide Agreed-Upon Procedures**

**Schedule of Procedures, Results and Managements' Response**

<b>Bank Reconciliations</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
<p>3 Obtain a listing of client bank accounts from management</p> <p>4 Using the listing provided by management, select a minimum of five (5) bank accounts and report whether:</p> <p style="padding-left: 40px;">a) Bank reconciliations have been prepared;</p> <p style="padding-left: 40px;">b) Bank reconciliations include evidence that a member of management or a board member has reviewed each bank reconciliation</p> <p style="padding-left: 40px;">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.</p>	<p>RHM has obtained a listing of the City's bank accounts, and selected five for testing.</p> <p>Bank Reconciliations had been prepared for all accounts.</p> <p>No member of management, without involvement in the transaction has reviewed each bank reconciliation.</p> <p>There is no formal process for reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.</p>	<p><i>The results did not contain any critical comments.</i></p> <p><i>The results did not contain any critical comments.</i></p> <p><i>The City will examine its bank reconciliation procedures, and determine the necessity of management review of bank reconciliations.</i></p> <p><i>The City will establish a policy to research and resolve items that have been outstanding for more than 6 months.</i></p>

# **City of Pineville**

## **Statewide Agreed-Upon Procedures**

### **Schedule of Procedures, Results and Managements' Response**

<b>Collections</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
<p>5 Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.</p> <p>6 Using the listing provided by management, select a minimum of five (5) cash collection locations, obtain written documentation and report whether:</p> <p>a) Each person responsible for collecting cash is:</p> <ul style="list-style-type: none"> <li>• bonded,</li> <li>• not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account</li> <li>• not required to share the same cash register or drawer with another employee.</li> </ul> <p>b) 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.</p>	<p>All collections are processed by one centralized bookkeeping operation, located at City Hall, with the exception of concession stands operated by the City's Recreation Department that are discussed below.</p> <p><u>Centralized Collection Facility</u> Employees taking cash are not bonded. Different clerks are responsible for depositing the cash in the bank, recording the related transaction, and reconciling the related bank account. No employees are required to share the same register.</p> <p><u>Concession Operations</u> See comments below.</p> <p><u>Centralized Collection Facility</u> The City of Pineville has a formal (although not written) policy regarding reconciling cash collections to the general ledger by revenue source, by a person not responsible for cash collections in the cash collection location selected.</p> <p><u>Concession Operations</u> See comments below.</p>	<p><i>The results did not contain any critical comments.</i></p> <p><i>In the past, the City has traditionally only bonded the Mayor and City Clerk. We will review current staffing, and determine whether bonding employees responsible for depositing cash is in the City's best interest.</i></p> <p><i>The City will adopt appropriate written procedures documenting our cash collection procedures.</i></p>

**City of Pineville**

**Statewide Agreed-Upon Procedures**

**Schedule of Procedures, Results and Managements' Response (Continued)**

Collections		
Agreed-Upon Procedure	Results	Managements' Response
<p>c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:</p> <ul style="list-style-type: none"> <li>• Report whether the deposits were made within one day of collection.</li> <li>• Verify that daily cash collections are completely supported by documentation</li> </ul>	<p><u>Centralized Collection Facility</u> Not all deposits were made within one day of collection. On one of the days tested, the deposit was made two days after collection.</p> <p>All cash collections are completely supported by documentation.</p> <p><u>Concession Operations</u> Concession collections are conducted offsite in a manner not subject to any formal recordkeeping or oversight. As a result of this informal structure, it was not practical to apply agreed-upon procedures to these collections. This matter has been presented as a reportable condition in current and prior audit reports.</p>	<p><i>Because one employee is responsible for preparing deposits, on occasion deposits are not made on the day the cash is received. In those rare instances, monies are locked in the City's vault, and are still subject to verification through computerized records.</i></p> <p><i>The results did not contain any critical comments.</i></p> <p><i>Management is considering resolving this matter by discontinuing all concession activities currently conducted by the recreation department.</i></p>
<p>7 Obtain existing written documentation and report whether the entity has a process specifically defined to determine completeness of all collections by a person who is not responsible for collections.</p>	<p>The City of Pineville does not have written documentation regarding the collection process. In practice, the City uses receipts and account receivable records to determine completeness of collection. In addition, many large revenue sources (such as sales tax) are easily confirmed with outside parties responsible for collection.</p>	<p><i>The City will determine the necessity of formally documenting its cash collection policies, which are currently functioning as designed.</i></p>

# **City of Pineville**

## **Statewide Agreed-Upon Procedures**

### **Schedule of Procedures, Results and Managements' Response**

<b>Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
<p>8 Obtain a listing of entity disbursements from management</p> <p>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:</p> <p>a) Purchases were initiated using a requisition/purchase order system.</p> <p>b) Purchase orders were approved by a person who did not initiate the purchase.</p> <p>c) Payments for purchases were not processed without</p> <ul style="list-style-type: none"> <li>• An approved requisition and/or purchase order</li> <li>• A receiving report showing receipt of goods purchased,</li> <li>• An approved invoice.</li> </ul> <p>10 Using entity documentation report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.</p>	<p>Management has provided RHM access to the general ledger accounting system.</p> <p>Although the City's procedures do not require purchase orders for all transactions selected in the disbursement sample, there were certain transactions that should have required a purchase order that did not have one. These were limited to minor supply purchases and some types of recurring transactions. There were instances where the same person who initiated the purchase signed the purchase order. The City's procedures do not require receiving reports to issue payment. All payments had an approved invoice to support disbursements made.</p> <p>The Accounts Payable Clerk, who is responsible for processing payments, is able to add vendors to the entity's purchasing/disbursement system.</p>	<p><i>The results did not contain any critical comments.</i></p> <p><i>The City has historically not required purchase orders for certain transactions, or relied upon other documentation to verify the legitimacy of the transaction. We will examine our purchase order system, and determine whether purchase orders should be required for additional types of disbursements. We will make sure that purchase orders in the future are not approved by the person who initiated the purchase.</i></p> <p><i>The City will examine its current controls, and determine whether having a different clerk add vendors to the purchasing/disbursement system is necessary.</i></p>

**City of Pineville**

**Statewide Agreed-Upon Procedures**

**Schedule of Procedures, Results and Managements' Response (Continued)**

<b>Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
11 Using entity documentation report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.	Although there is no written documentation, persons with signatory authority do not have any responsibility for initiating or recording purchases.	<b><i>The City will consult its auditors and determine which controls require formal documentation.</i></b>
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. If checks are printed on blank check stock, review documentation and report if persons with signatory authority have system access to print check.	The supply of unused checks is maintained in a locked location, with access restricted to those people that do not have signatory authority.	<b><i>The findings did not contain any critical comments.</i></b>
13 If a signature stamp or signature machine is used, inquire of the signer whether his or her signature and any signed checks is maintained under his or her control or is used only with the knowledge and consent of the signer.	The City utilizes signature stamps and machines. Per inquiry of management, the signature stamps are maintained under the control of or only used with knowledge and consent of the signer.	<b><i>The findings did not contain any critical comments.</i></b>

# **City of Pineville**

## **Statewide Agreed-Upon Procedures**

### **Schedule of Procedures, Results and Managements' Response**

<b>Credit Cards/Debit Cards/Fuel Cards/P-Cards</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
<p>14 Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards).</p>	<p>We have obtained a listing of all active credit cards, and management's representation that the listing is complete.</p>	<p><i>The findings did not contain any critical comments.</i></p>
<p>15 Select the monthly statement or combined statement with the largest dollar activity for each card and:</p> <p>a) Is there evidence that the monthly statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.</p> <p>b) Report whether finance charges and/or late fees were assessed on the selected statements</p>	<p>There was evidence that the monthly statement or combined statement was reviewed and approved, in writing, by someone other than the authorized cardholder.</p> <p>No finance charges or late fees were assessed on the selected statements.</p>	<p><i>The findings did not contain any critical comments.</i></p> <p><i>The findings did not contain any critical comments.</i></p>
<p>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).</p> <p>a) Obtain supporting documentation for all transactions for each of the 10 cards selected by:</p> <ul style="list-style-type: none"> <li>• An original itemized receipt</li> <li>• Documentation of the business/public purpose</li> <li>• Other documentation that may be required by written policy</li> </ul>	<p>Each transaction was supported by an original, itemized receipt, and had a clear business or public purpose. No other documentation is required by written policy</p>	<p><i>The findings did not contain any critical comments.</i></p>

**City of Pineville**

**Statewide Agreed-Upon Procedures**

**Schedule of Procedures, Results and Managements' Response (Continued)**

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<b>Credit Cards/Debit Cards/Fuel Cards/P-Cards</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
b) Compare the transaction's detail to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law	All transactions were under the scope of the Public Bid Law.	<i>The findings did not contain any critical comments.</i>
c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution	All transactions had a clear business/public purpose, and did not constitute a loan, donation, or pledge of public funds.	<i>The findings did not contain any critical comments.</i>

**City of Pineville**

**Statewide Agreed-Upon Procedures**

**Schedule of Procedures, Results and Managements' Response**

<b>Travel and Expense Reimbursement</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
17 Obtain from management a listing of all travel and related expense reimbursements, by person.	Management has provided RHM access to the general ledger accounting system.	<i>The results did not include any critical comments.</i>
18 Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration and report any amounts that exceed GSA rates.	The City has not adopted any formal, written travel or expenditure reimbursement policies.	<i>The City will consult its auditors and adopt appropriate formal documentation.</i>
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. For each of the three travel expenses selected:		
<p>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.</p>	All reimbursements were at, or below GSA rates.	<i>The results did not include any critical comments.</i>
<p>b) Report whether each expense is supported by:</p> <ul style="list-style-type: none"> <li>• An original itemized receipt that identifies precisely what was purchased.</li> </ul>	Each expense was supported by an original, itemized receipt, and had a clear business/public purpose. No other documentation is required by written policy.	<i>The results did not include any critical comments.</i>

**City of Pineville**

**Statewide Agreed-Upon Procedures**

**Schedule of Procedures, Results and Managements' Response (Continued)**

<b>Travel and Expense Reimbursement</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
<ul style="list-style-type: none"> <li>• Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).</li> <li>• Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)</li> </ul> <p>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.</p> <p>d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.</p>	<p>None of the transactions selected constituted a loan, pledge, or donation of funds, credit, property, or things of value.</p> <p>Each expense was reviewed and approved by someone other than the recipient.</p>	<p><i>The results did not include any critical comments.</i></p> <p><i>The results did not include any critical comments.</i></p>

# **City of Pineville**

## **Statewide Agreed-Upon Procedures**

### **Schedule of Procedures, Results and Managements' Response (Continued)**

<b>Contracts</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
<p>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.</p>	<p>RHM was given access to the general ledger, and able to sort/filter for contract payments. We have obtained management's representation that the listing is complete.</p>	<p><i>The results did not include any critical comments.</i></p>
<p>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:</p> <p>a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements.</li> <li>• If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.</li> </ul>	<p>For four of the selected vendors, the nature of the transactions were not of a type or character that typically conform to a written contract. A formal written contract was applicable for the other contract.</p> <p>One of the five selections involved contracts awarded in the manner required by the Public Bid Law. The remaining four transactions were not subject to the public bid law and no bids or quotes were required.</p>	<p><i>The results did not include any critical comments.</i></p> <p><i>The results did not include any critical comments.</i></p>

**City of Pineville**

**Statewide Agreed-Upon Procedures**

**Schedule of Procedures, Results and Managements' Response (Continued)**

<b>Contracts</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
<p>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.</p>	<p>The were no change orders, or amendments to the agreements in the current year.</p>	<p><i>The results did not include any critical comments.</i></p>
<p>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.</p>	<p>The largest payment from each of the five contract vendors was in compliance with terms of the agreements.</p>	<p><i>The results did not include any critical comments.</i></p>
<p>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).</p>	<p>Four of the five selections did not require any board approval. Board approval was made for the relevant selection.</p>	<p><i>The results did not include any critical comments.</i></p>

**City of Pineville**

**Statewide Agreed-Upon Procedures**

**Schedule of Procedures, Results and Managements' Response**

<b>Payroll and Personnel</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
<p>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:</p> <p>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.</p> <p>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.</p>	<p>Each of the five selected employees was paid according to the City's formal pay structure.</p> <p>All changes made to hourly pay during the fiscal year was formally documented in the City's computerized payroll processing system.</p>	<p><i>The results did not contain any critical comments.</i></p> <p><i>The results did not contain any critical comments.</i></p>
<p>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:</p>		

**City of Pineville**

**Statewide Agreed-Upon Procedures**

**Schedule of Procedures, Results and Managements' Response (Continued)**

<b>Payroll and Personnel</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
<p>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.)</p> <p>b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.</p> <p>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.</p>	<p>All selected employees and officials documented their daily attendance and leave, if required.</p> <p>There is written documentation that supervisors approved the attendance and leave of the selected employees.</p> <p>The Fire Department did not have readily accessible records to recalculate leave taken in the selected period.</p>	<p><i>The results did not contain any critical comments.</i></p> <p><i>The results did not contain any critical comments.</i></p> <p><i>We will examine our procedures, and make necessary changes to be able to demonstrate leave taken by the Fire Department.</i></p>

# **City of Pineville**

## **Statewide Agreed-Upon Procedures**

### **Schedule of Procedures, Results and Managements' Response (Continued)**

<b>Payroll and Personnel</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
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.	RHM obtained a listing of employees terminated during the fiscal period, and management's representation that the listing is complete. Selecting the two largest termination payments, RHM determined that the payments were made in strict accordance with the City's policies.	<i>The results did not contain any critical comments.</i>
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.	Reporting forms for the three retirement systems and the associated payments were not submitted by the required deadline for March of 2017. Two payroll payments were made late in May of 2017.	<i>Due to turnover in our finance director position, the City experienced some issues with the training of new staff and employees. An internal checklist of required reporting has been instituted by our finance department, which should solve the issue in subsequent periods.</i>

**City of Pineville**

**Statewide Agreed-Upon Procedures**

**Schedule of Procedures, Results and Managements' Response**

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<b>Ethics</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
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.	The five randomly selected employees had all taken required ethics training during the current fiscal year.	<i>The results did not contain any critical comments.</i>
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.	Per inquiry of management, no alleged ethics violations were reported to the City during the current fiscal period.	<i>The results did not contain any critical comments.</i>

# **City of Pineville**

## **Statewide Agreed-Upon Procedures**

### **Schedule of Procedures, Results and Managements' Response**

<b>Debt Service</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
28 If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.	New debt issuances were limited to draws on a revolving line of credit with DEQ, which was approved by the State Bond Commission.	<i>The results did not contain any critical comments.</i>
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 made all required debt service payments, and maintains debt reserves, as required by debt covenants.	<i>The results did not contain any critical comments.</i>
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 did not have tax millages related to debt service.	<i>The results did not contain any critical comments.</i>

**City of Pineville**

**Statewide Agreed-Upon Procedures**

**Schedule of Procedures, Results and Managements' Response**

<b>Other</b>		
<b>Agreed-Upon Procedure</b>	<b>Results</b>	<b>Managements' Response</b>
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.	The City's management was not aware of any misappropriations of public funds or assets.	<i>The results did not contain any critical comments.</i>
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 <a href="http://www.la.la.gov/hotline">www.la.la.gov/hotline</a> ) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.	The entity had the notice required by R.S. 24:523.1 posted on its premises.	<i>The results did not contain any critical comments.</i>
33 If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.	RHM did not observe or identify any exceptions regarding management's representation in the AUP.	<i>The results did not contain any critical comments.</i>