

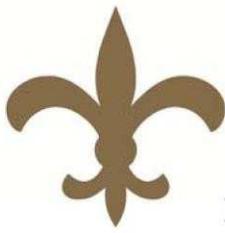
CITY OF DEQUINCY, LOUISIANA

Financial Report

For the Year Ended September 30, 2017

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Member of the American Institute of Certified Public Accountants and the Society of Louisiana Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of DeQuincy, Louisiana

Report on Financial Statements

I 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 DeQuincy as of September 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

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

Other Matters

Required Supplementary Information. Accounting principles generally accepted in the United States of America require that budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 primarily of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. The City of DeQuincy has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Information. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive is the responsibility of management and were derived from and relate 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 my opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive is fairly stated, in all material respects,, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated March 27, 2018, on my consideration of the City of DeQuincy's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "J. Aaron Cozart, CPA, LLC". The signature is written in a cursive style.

March 27, 2018

CITY OF DEQUINCY, LOUISIANA

STATEMENT OF NET POSITION

September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,894,659	\$ 1,450,727	\$ 3,345,386
Investments	483,154	1,349,224	1,832,378
Accounts receivable	694,269	85,329	779,598
Due (to)/from other funds	(14,836)	14,836	-
Restricted cash	69,215	175,571	244,786
Restricted investments	-	177,414	177,414
Other assets	59,641	40,385	100,026
Capital assets, net	4,306,249	6,567,216	10,873,465
Total assets	7,492,351	9,860,702	17,353,053
DEFERRED OUTFLOWS OF RESOURCES	212,429	189,767	402,196
LIABILITIES			
Accounts payable and accrued liabilities	437,838	103,858	541,696
Customer deposits	-	97,764	97,764
Long-term liabilities:			
Due within one year	19,251	31,535	50,786
Due after one year	1,610,734	1,752,399	3,363,133
Total liabilities	2,067,823	1,985,556	4,053,379
DEFERRED INFLOWS OF RESOURCES	58,646	42,842	101,488
NET POSITION			
Invested in capital assets	3,875,124	5,620,141	9,495,265
Restricted for public safety	256,517	-	256,517
Restricted for street maintenance	689,921	-	689,921
Restricted for debt service	-	175,571	175,571
Restricted for economic development	-	180,275	180,275
Unrestricted	756,749	2,046,084	2,802,833
Total net position	\$ 5,578,311	\$ 8,022,071	\$ 13,600,382

The accompanying notes are an integral part of these basic financial statements.

CITY OF DEQUINCY, LOUISIANA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Activities	Expenses	Program Revenues Charges for Services	Net (Expense) Revenues and Changes in Net Assets		
			Primary Government		Total
			Governmental Activities	Business-type Activities	
Governmental activities:					
General government	\$ 169,095	\$ -	\$ (169,095)	\$ -	\$ (169,095)
Public safety	1,248,164	88,185	(1,159,979)	-	(1,159,979)
Sanitation	239,904	263,004	23,100	-	23,100
Highways and streets	490,212	-	(490,212)	-	(490,212)
Culture and recreation	94,026	-	(94,026)	-	(94,026)
Interest on long-term debt	19,850	-	(19,850)	(43,354)	(63,204)
Total governmental activities	<u>2,261,251</u>	<u>351,189</u>	<u>(1,910,062)</u>	<u>(43,354)</u>	<u>(1,953,416)</u>
Business-type activities:					
Gas	635,036	442,756	-	(192,280)	(192,280)
Sewer	780,022	178,548	-	(601,474)	(601,474)
Airpark	582,592	84,651	-	(497,941)	(497,941)
Revolving loan fund	-	459	-	459	459
Total business-type activities	<u>1,997,650</u>	<u>706,414</u>	<u>-</u>	<u>(1,291,236)</u>	<u>(1,291,236)</u>
Total primary government	<u>\$ 4,258,901</u>	<u>\$ 1,057,603</u>	<u>(1,910,062)</u>	<u>(1,334,590)</u>	<u>(3,244,652)</u>
General revenues:					
Taxes			1,127,135	767,972	1,895,107
Licenses and permits			302,326	-	302,326
Intergovernmental			19,615	-	19,615
Fines and forfeitures			286,882	-	286,882
Grants and contributions not restricted to specific programs			1,397,281	44,689	1,441,970
Investment earnings			7,945	14,563	22,508
Other			31,842	-	31,842
Special items:					
Gain on disposal of capital assets			6,207	7,367	13,574
Transfers			60,918	(60,918)	-
Total general revenues and transfers			<u>3,240,151</u>	<u>773,673</u>	<u>4,013,824</u>
Change in net position			1,330,089	(560,917)	769,172
Beginning net position			4,248,222	8,582,988	12,831,210
Ending net position			<u>\$ 5,578,311</u>	<u>\$ 8,022,071</u>	<u>\$ 13,600,382</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF DEQUINCY, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2017

	General	Public Safety Special Revenue	Streets Special Revenue	Total
ASSETS				
Cash and cash equivalents	\$ 1,091,611	\$ 107,434	\$ 695,614	\$ 1,894,659
Investments	110,696	128,368	244,090	483,154
Receivables	147,094	28,538	420,468	596,100
Due from other funds	428,584	22,065	26,441	477,090
Restricted cash	69,215	-	-	69,215
Other assets	8,364	39,517	11,760	59,641
Total assets	\$ 1,855,564	\$ 325,922	\$ 1,398,373	\$ 3,579,859
LIABILITIES				
Accounts payable	\$ 6,236	\$ 48,015	\$ 363,034	\$ 417,285
Accrued expenses	(5,762)	21,390	4,925	20,553
Due to other funds	151,433	-	340,493	491,926
Total liabilities	151,907	69,405	708,452	929,764
FUND BALANCES				
Restricted for public safety	-	256,517	-	256,517
Restricted for street maintenance	-	-	689,921	689,921
Unassigned	1,703,657	-	-	1,703,657
Total liabilities and fund balances	\$ 1,855,564	\$ 325,922	\$ 1,398,373	\$ 3,579,859

The accompanying notes are an integral part of these basic financial statements.

CITY OF DEQUINCY, LOUISIANA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF NET POSITION

September 30, 2017

Total fund balances for governmental funds at end of year	\$ 2,650,095
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Certain receivables recorded in the government-wide financial statements are not reflected in the funds as they are too late to be considered available.	
	<u>98,169</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	20,000
Capital assets, net of accumulated depreciation	<u>4,286,249</u>
	<u>4,306,249</u>
Long-term liabilities are not payable from current resources and, therefore, are not reported in the funds. Those long-term liabilities consist of:	
Bonds payable	(431,125)
Net pension liability	(1,122,487)
Compensated absences payable	<u>(76,373)</u>
	<u>(1,629,985)</u>
Pension related deferrals	
Outflows	212,429
Inflows	<u>(58,646)</u>
	<u>153,783</u>
Total net position of governmental activities at end of year	<u>\$ 5,578,311</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF DEQUINCY, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2017

	General	Public Safety Special Revenue	Streets Special Revenue	Total Governmental Funds
REVENUES				
Taxes	\$ 266,226	\$ 283,986	\$ 576,923	\$ 1,127,135
Licenses and permits	302,326	-	-	302,326
Intergovernmental	19,615	-	-	19,615
Charges for services	263,004	88,185	-	351,189
Fines and forfeitures	-	286,882	-	286,882
Miscellaneous	17,232	-	14,610	31,842
Interest earned	4,002	1,536	2,407	7,945
Grants	432,626	21,684	936,546	1,390,856
Total revenues	<u>1,305,031</u>	<u>682,273</u>	<u>1,530,486</u>	<u>3,517,790</u>
EXPENDITURES				
Current:				
General government	210,100	-	-	210,100
Public safety	-	1,085,881	-	1,085,881
Sanitation	239,904	-	-	239,904
Highways and streets	-	-	395,064	395,064
Culture and recreation	53,034	-	-	53,034
Capital outlay	45,833	61,935	1,050,676	1,158,444
Debt Service:				
Principal	18,404	-	-	18,404
Interest	19,850	-	-	19,850
Total expenditures	<u>587,125</u>	<u>1,147,816</u>	<u>1,445,740</u>	<u>3,180,681</u>
Excess (deficiency) of revenues over (under) expenditures	717,906	(465,543)	84,746	337,109
OTHER FINANCING SOURCES (USES)				
Sales of fixed assets	-	-	6,207	6,207
Operating transfers in	35,748	434,983	1,524	472,255
Operating transfers (out)	(396,375)	(344)	(14,618)	(411,337)
Total other financing sources (uses)	<u>(360,627)</u>	<u>434,639</u>	<u>(6,887)</u>	<u>67,125</u>
NET CHANGES IN FUND BALANCES	357,279	(30,904)	77,859	404,234
Beginning fund balances	<u>1,346,378</u>	<u>287,421</u>	<u>612,062</u>	<u>2,245,861</u>
ENDING FUND BALANCES	<u>\$ 1,703,657</u>	<u>\$ 256,517</u>	<u>\$ 689,921</u>	<u>\$ 2,650,095</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF DEQUINCY, LOUISIANA

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

For the Year Ended September 30, 2017

Total net changes in fund balances for the year per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 404,234
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The change in net assets reported for governmental activities in the
Statement of Activities is different because:

Certain receivables recorded in the government-wide financial statements are not reflected in the funds as they are too late to be considered available.	<u>6,425</u>
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Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances	1,158,444
Depreciation expense for the year	<u>(310,580)</u>
	847,864

Government funds do report bonded debt repayments as expenditures. However, this payable does appear in the Statement of Activities since the payment is applied against the bond payable on the Balance Sheet	<u>18,404</u>
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In the Statement of Activities, certain operating expenses are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the financial resources used (essentially the amounts actually paid). The difference between the amounts incurred and the amounts actually paid:	
Pension expense	73,576
Change in compensated absences	<u>(20,414)</u>

Total changes in net position for the year per Statement of Activities	<u>\$ 1,330,089</u>
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The accompanying notes are an integral part of these basic financial statements.

CITY OF DEQUINCY, LOUISIANA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

Business-Type Activities - Enterprise Funds
September 30, 2017

	Gas Utility Revenue Fund	Sewer Utility Revenue Fund	Industrial Airpark Fund	Revolving Loan Fund	Total
ASSETS					
Cash and cash equivalents	\$ 141,227	\$ 769,829	\$ 359,396	\$ 180,275	\$ 1,450,727
Restricted cash	-	175,571	-	-	175,571
Investments	192,294	491,330	665,600	-	1,349,224
Restricted investments	177,414	-	-	-	177,414
Accounts receivable	32,121	23,870	29,338	-	85,329
Other assets	19,323	10,598	10,464	-	40,385
Due from other funds	-	328,167	19,803	-	347,970
Total current assets	562,379	1,799,365	1,084,601	180,275	3,626,620
Property, plant and equipment, net of accumulated depreciation	98,326	3,105,816	3,363,074	-	6,567,216
Total assets	660,705	4,905,181	4,447,675	180,275	10,193,836
DEFERRED OUTFLOWS OF RESOURCES	63,913	125,854	-	-	189,767
LIABILITIES					
Current liabilities					
Accounts payable	42,248	15,382	31,806	-	89,436
Payroll liabilities	4,939	9,483	-	-	14,422
Bonds payable, current portion	-	31,535	-	-	31,535
Customer deposits	97,764	-	-	-	97,764
Due to other funds	306,693	26,441	-	-	333,134
Total current liabilities	451,644	82,841	31,806	-	566,291
Long-term liabilities:					
Compensated absences	16,278	38,826	-	-	55,104
Net pension liability	263,293	518,462	-	-	781,755
Bonds payable	-	915,540	-	-	915,540
Total liabilities	731,215	1,555,669	31,806	-	2,318,690
DEFERRED INFLOWS OF RESOURCES	14,429	28,413	-	-	42,842
NET POSITION					
Invested in capital assets, net of related debt	98,326	2,158,741	3,363,074	-	5,620,141
Restricted for debt service	-	175,571	-	-	175,571
Restricted for economic development	-	-	-	180,275	180,275
Unrestricted	(119,352)	1,112,641	1,052,795	-	2,046,084
Total net position	\$ (21,026)	\$ 3,446,953	\$ 4,415,869	\$ 180,275	\$ 8,022,071

The accompanying notes are an integral part of these basic financial statements.

CITY OF DEQUINCY, LOUISIANA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	Gas Utility Revenue Fund	Sewer Utility Revenue Fund	Industrial Airpark Fund	Revolving Loan Fund	Total
OPERATING REVENUES:					
Charges for services	\$ 442,756	\$ 178,548	\$ -	\$ -	\$ 621,304
Rent	-	-	84,651	-	84,651
Interest earned	-	-	-	459	459
Total operating revenue	442,756	178,548	84,651	459	706,414
OPERATING EXPENSES:					
Personal services	264,412	395,658	2,827	-	662,897
Natural gas purchased	216,645	-	-	-	216,645
Materials and supplies	43,447	32,444	44,260	-	120,151
Utilities	2,495	59,030	11,567	-	73,092
Depreciation	15,974	198,897	396,093	-	610,964
Bad debts	5,322	-	-	-	5,322
Other services and charges	86,741	93,993	127,845	-	308,579
Total operating expenses	635,036	780,022	582,592	-	1,997,650
Operating income (loss)	(192,280)	(601,474)	(497,941)	459	(1,291,236)
Non-operating revenues (expenses):					
Miscellaneous revenues and grants	-	-	44,689	-	44,689
Taxes	-	567,972	200,000	-	767,972
Earnings on investments	(2,247)	3,650	13,160	-	14,563
Gain (loss) on disposal of assets	-	-	7,367	-	7,367
Interest and fiscal charges	-	(43,354)	-	-	(43,354)
Total nonoperating revenues (expenses)	(2,247)	528,268	265,216	-	791,237
Income before operating transfers	(194,527)	(73,206)	(232,725)	459	(499,999)
Transfers from (to) other funds	3,226	(30,680)	(33,464)	-	(60,918)
Net income	(191,301)	(103,886)	(266,189)	459	(560,917)
Beginning net position	170,275	3,550,839	4,682,058	179,816	8,582,988
Ending net position	\$ (21,026)	\$ 3,446,953	\$ 4,415,869	\$ 180,275	\$ 8,022,071

The accompanying notes are an integral part of these basic financial statements.

CITY OF DEQUINCY, LOUISIANA

STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES - PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	Gas Utility Revenue Fund	Sewer Utility Revenue Fund	Industrial Airpark Fund	Revolving Loan Fund	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 508,623	\$ 181,906	\$ 84,651	\$ 2,100	\$ 777,280
Payments to suppliers	(358,278)	(186,022)	(189,086)	-	(733,386)
Payments to/on behalf of employees	(196,189)	(371,172)	-	-	(567,361)
Net cash provided (used) by operating activities	(45,844)	(375,288)	(104,435)	2,100	(523,467)
Cash flows from noncapital financing activities:					
Miscellaneous revenues and grants	-	-	37,961	-	37,961
Taxes received	-	567,972	200,000	-	767,972
Operating transfers in (out)	3,226	(30,680)	(33,464)	-	(60,918)
Increase in customer deposits	1,947	-	-	-	1,947
Advances from (to) other funds	(8,162)	102,891	2,868	-	97,597
Net cash provided (used) by noncapital financing activities	(2,989)	640,183	207,365	-	844,559
Cash flows from investing activities:					
Interest income	(2,247)	3,650	13,160	-	14,563
Change in investments	2,266	(2,828)	3,249	-	2,687
Net cash provided by (used in) investing activities	19	822	16,409	-	17,250
Cash flows from capital and related financing activities:					
Capital expenditures for plant and equipment	-	(3,292)	(27,808)	-	(31,100)
Proceeds from sales of assets	-	-	8,000	-	8,000
Principal payments on notes and revenue bonds	-	(30,139)	-	-	(30,139)
Interest paid	-	(43,354)	-	-	(43,354)
Net cash used in capital and related financing activities	-	(76,785)	(19,808)	-	(96,593)
Net change in cash	(48,814)	188,932	99,531	2,100	241,749
Cash and cash equivalents-beginning of year	190,041	756,468	259,865	178,175	1,384,549
Cash and cash equivalents-end of year	\$ 141,227	\$ 945,400	\$ 359,396	\$ 180,275	\$ 1,626,298

The accompanying notes are an integral part of these basic financial statements.

CITY OF DEQUINCY, LOUISIANA

STATEMENT OF CASH FLOWS (CONTINUED)
 BUSINESS-TYPE ACTIVITIES--PROPRIETARY FUNDS
 For the Year Ended September 30, 2017

	Gas Utility Revenue Fund	Sewer Utility Revenue Fund	Industrial Airpark Fund	Revolving Loan Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (192,280)	\$ (601,474)	\$ (497,941)	\$ 459	\$ (1,291,236)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	15,974	198,897	396,093	-	610,964
Change in operating assets and liabilities:					
Account receivable	65,867	3,358	-	-	69,225
Other assets	(8,770)	301	(2,347)	1,641	(9,175)
Accounts payable and other accrued expenses	6,978	1,709	(240)	-	8,447
Net pension liability and related deferrals	66,387	21,921	-	-	88,308
Total adjustments	146,436	226,186	393,506	1,641	767,769
Net cash provided (used) by operating activities	<u>\$ (45,844)</u>	<u>\$ (375,288)</u>	<u>\$ (104,435)</u>	<u>\$ 2,100</u>	<u>\$ (523,467)</u>
Supplemental Disclosure:					
Cash paid for interest	<u>\$ -</u>	<u>\$ 43,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,354</u>

The accompanying notes are an integral part of these basic financial statements.

Notes to the Financial Statements

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of DeQuincy, Louisiana was incorporated in 1903 and since 1991 the City has operated under a Mayor-Council form of government under a home charter.

The accounting and reporting policies of the City of DeQuincy conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, the General Accounting Office's *Standards for Audits of Governmental Organizations, Programs, Activities and Functions*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of the City's significant accounting policies:

A. FINANCIAL REPORTING ENTITY

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and City Council of the City. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Consistent with this criterion, the City of DeQuincy has no component units as of September 30, 2017.

B. BASIS OF PRESENTATION

The accompanying basic financial statements of the City of DeQuincy have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include all the financial activities of the City, which are considered to be governmental activities. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of the functions of the City's governmental activities and business-type activities. Direct expenses are those that are specially associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the City, and (b) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (FFS)

The City uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the City are classified into governmental and proprietary. The emphasis on fund financial statements is on major funds, each displayed in a separate column.

General Fund

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

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Public Safety Fund and the Sales Tax Fund are considered special revenue funds. The Public Safety Fund accounts for the 1/2% sales tax dedicated to fire and police and related expenses. The Sales Tax Fund accounts for the 1% sales tax dedicated to street maintenance and related expenses. These funds are considered major funds.

Capital Projects Funds

Capital Projects funds account for all financial resources segregated for the acquisition or construction of major capital projects. This fund is to account for funds received and expenditures made for improvements to the downtown area. This fund is not considered a major fund.

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes. The City's enterprise funds consist of:

The Gas Utility Revenue Fund accounts for the provision of gas services. This fund is considered a major fund.

The Sewer Utility Fund accounts for the provision of sewer services. This fund is considered a major fund.

The Industrial Airpark Fund accounts for the provision of airpark and industrial development services. This fund is considered a major fund.

The Revolving Loan Fund accounts for monies received for the purpose of making loans to qualified businesses. This fund is not considered a major fund.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers for goods, services and privileges provided, 2) operating grants and 3) capital grants. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

All governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases and decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, the unrestricted resources as they are needed.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

For the purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETS

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

1. Prior to September 30, the City Clerk submits to the Mayor and City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is conducted to obtain comments.
4. Prior to September 30, the budget is legally enacted through passage of an ordinance.
5. Any revisions that alter total expenditures of any fund must be approved by the Mayor and City Council. Expenditures cannot legally exceed appropriations on a fund level.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
7. All budgetary appropriations lapse at the end of each fiscal year.
8. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or as amended by the Mayor and Council.
9. Budgets are amended to remain in compliance with state law.

Encumbrance accounting is not used.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and state and national bank's certificates of deposit with original maturities of 90 days or less.

F. INVESTMENTS

Louisiana state statutes authorize the City to invest in United States bonds, treasury notes, or time certificates of deposit of state banks organized under the Laws of Louisiana and national banks having the principal office in the State of Louisiana, investment as stipulated in R.S. 39:1271, or any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investments are stated at fair market value.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. PROPERTY TAXES

Property taxes levied in any one year are recognized as revenues of that year.

H. ALLOWANCE FOR BAD DEBTS

Uncollectible amounts due from customers' utility receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Management's evaluation of the allowance for bad debts is based on a review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

I. FIXED ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following useful lives:

Building and improvements	10 – 40 years
Leasehold improvements	10 years
Gas distribution system	10 – 25 years
Autos and trucks	3 – 5 years
Machinery and equipment	5 – 10 years
Infrastructure	40 years

J. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. INVENTORY

Purchases of various operating supplies are regarded as expenditures at the time of purchase, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. Such amounts are not material in relation to total assets.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. COMPENSATED ABSENCES

Sick pay is based on the number of years of service and is earned as follows:

First 3 years	1 day per month up to 12 days per calendar year
More than 3 years	Up to 15 days for any calendar year

Salary paid for sick leave will be based on an eight-hour work day. Sick leave can be carried forward to the succeeding year or years with no limit as to the amount accumulated. No employee shall be paid for accumulated leave when he resigns or is terminated. When an employee retires, he is to be paid for accumulated sick leave as follows:

Ten to nineteen years	up to 30 days
Twenty to thirty years	up to 60 days
Thirty years or more	up to 90 days

Annual leave is also based on the number of years of services and is earned as follows:

After 1 year	5 days
After 2 years	10 days
After 10 years	15 days
After 20 years	20 days

Annual leave cannot be carried over to the following year (“use it or lose it”). Upon termination, any unused earned annual leave will be paid to the employee.

At September 30, 2017, employees of the City have accumulated approximately \$131,477 in leave privileges, computed in accordance with GASB Statement 16.

M. EQUITY CLASSIFICATIONS

For government-wide statement of net position, equity is classified as net position and displayed in three components:

- Invested in capital assets, net of related debt. This component consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position. Restricted net position consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position. Unrestricted net position consist of all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The City uses restricted resources first when expenses are incurred when both restricted and unrestricted net position are available.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund statements, governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

- Non-spendable. Relates to fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted. Relates to fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or grantors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed. Relates to fund balance amounts that are constrained for specific purposes that are internal imposed by the district through formal action of the City and does not lapse at year-end.
- Assigned. Relates to fund balance amounts that are intended to be used for a specific purpose that are considered to be neither restricted nor committed. Fund balance can be assigned by the City.
- Unassigned. Relates to fund balance amounts within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The City uses restricted resources first when expenditures are incurred when both restricted and unrestricted fund balances are available. Proprietary fund equity is classified the same as in the government-wide statements.

2. DEPOSITS AND INVESTMENTS

Under Louisiana Revised Statutes 39:2955, the City may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposits with state banks, organized under Louisiana law and national banks, having principal offices in Louisiana. Additionally, Louisiana statutes allow the City to invest in United States Treasury obligations, obligations issued or guaranteed by United States government or federal agencies, and mutual or trust funds registered with the Securities and Exchange Commission which has underlying investments consisting solely of and limited to the United States government or its agencies. At September 30, 2017, the City had cash and cash equivalents (book balances) totaling \$3,590,172 all of which were in demand deposit accounts.

Under state law, deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. 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.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

2. DEPOSITS AND INVESTMENTS (Continued)

The City periodically invests in the Louisiana Asset Management Pool, Inc., a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB codification Section I50.165 investments in LAMP are not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted-average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The City has no investments with LAMP at September 30, 2017.

At September 30, 2017, the City had the following investments:

Certificates of deposit	\$	1,400,940
U.S. agency securities		431,438
		\$ 1,832,378

Certificates are carried at amortized cost, which approximates market. U.S. agency securities are carried at estimated fair value based on quoted market prices of similar securities.

Certificates of deposit have interest rates that range between 2% and 3% and mature in one year. Bonds have interest rates ranging between 3% and 6% and have maturities of between 5 and 30 years.

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. At September 30, 2017, the City had \$5,202,177 in demand deposits, NOW accounts, and certificates of deposit (bank balances before outstanding checks or deposits in transit). These deposits are secured from risk by \$1,504,043 of federal deposit insurance and \$3,698,134 of pledged securities held by the custodial bank in the name of the fiscal agent bank. However, since the custodial bank acknowledges that the securities are pledged to the City of DeQuincy, all deposits are considered to be collateralized. Additionally, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value of the investment. The City does not have a formal investment policy that limits investment securities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

3. RECEIVABLES

The receivables of \$681,429 at September 30, 2017, are as follows:

	General	Public Safety Special Revenue	Street Special Revenue	Gas Utility	Sewer	Airpark	Total
Receivables:							
Utilities	\$ 62,535	\$ -	\$ -	\$ 72,030	\$ 48,381	\$ -	\$ 182,946
Other	124,901	28,538	420,468	2,354	2,125	29,338	607,724
Less: allowance for doubtful accounts	(40,342)	-	-	(42,263)	(26,636)	-	(109,241)
Net of allowance	<u>\$ 147,094</u>	<u>\$ 28,538</u>	<u>\$ 420,468</u>	<u>\$ 32,121</u>	<u>\$ 23,870</u>	<u>\$ 29,338</u>	<u>\$ 681,429</u>

4. NOTES RECEIVABLE

The notes receivable balance in the loan fund is for local business development loans. The last remaining note receivable was paid off as of September 30, 2017.

5. AD VALOREM TAXES

For 2017, taxes of 6.02 mills were levied on property with assessed valuation of approximately \$14,200,000 and were dedicated for general purposes. Total ad valorem taxes collected during the year totaled \$85,313. Property taxes attach as an enforceable lien on property as of April 30. Taxes are levied on November 1.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

6. CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2017:

	Balance, Beginning of Year	Additions	Deletions	Transfers	Balance, End of Year
<u>Governmental Activities</u>					
Capital assets, not being depreciated:					
Construction in progress	\$ 126,092	\$ 1,048,390	\$ -	\$ -	\$ 1,174,482
Property held for future use or sale	92,900	-	-	-	92,900
Land	123,967	-	-	-	123,967
Total capital assets, not being depreciated	342,959	1,048,390	-	-	1,391,349
Capital assets, being depreciated:					
Buildings	2,369,851	-	-	-	2,369,851
Improvements other than buildings	1,520,034	13,580	-	-	1,533,614
Autos and trucks	1,170,632	33,365	-	-	1,203,997
Machinery and equipment	766,604	63,109	-	-	829,713
Infrastructure	1,391,654	-	-	-	1,391,654
Total capital assets, being depreciated	7,218,775	110,054	-	-	7,328,829
Less accumulated depreciation for:					
Buildings	1,108,283	52,851	-	-	1,161,134
Improvements other than buildings	920,015	70,514	-	-	990,529
Autos and trucks	937,818	81,425	-	-	1,019,243
Machinery and equipment	537,906	70,702	-	-	608,608
Infrastructure	599,328	35,088	-	-	634,416
Total accumulated depreciation	4,103,350	310,580	-	-	4,413,930
Total capital assets, being depreciated, net	3,115,425	(200,526)	-	-	2,914,899
Governmental activities capital assets, net	<u>\$ 3,458,384</u>	<u>\$ 847,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,306,248</u>
<u>Business-type Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 165,016	\$ -	\$ (633)	\$ -	\$ 164,383
Construction in progress	-	16,359	-	-	16,359
Total capital assets, not being depreciated	165,016	16,359	(633)	-	180,742
Capital assets, being depreciated:					
Buildings	133,679	-	-	-	133,679
Improvements other than buildings	7,267,674	-	-	-	7,267,674
Gas distribution system	681,409	-	-	-	681,409
Sewer system	5,673,731	3,292	-	-	5,677,023
Autos and trucks	102,657	-	-	-	102,657
Machinery and equipment	240,452	11,449	(2,635)	-	249,266
Total capital assets, being depreciated	14,099,602	14,741	(2,635)	-	14,111,708
Less accumulated depreciation for:					
Buildings	39,331	8,285	-	-	47,616
Improvements other than buildings	3,770,510	380,282	-	-	4,150,792
Gas distribution system	605,313	8,540	-	-	613,853
Sewer system	2,426,349	189,824	-	-	2,616,173
Autos and trucks	96,483	2,315	-	-	98,798
Machinery and equipment	178,919	21,718	(2,635)	-	198,002
Total accumulated depreciation	7,116,905	610,964	(2,635)	-	7,725,234
Total capital assets, being depreciated, net	6,982,697	(596,223)	-	-	6,386,474
Business-type activities capital assets, net	<u>\$ 7,147,713</u>	<u>\$ (579,864)</u>	<u>\$ (633)</u>	<u>\$ -</u>	<u>\$ 6,567,216</u>

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

6. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 32,196
Public safety	152,554
Highways and streets	84,837
Culture and recreation	40,993
Total depreciation expense - governmental activities	<u>\$ 310,580</u>
Business-type activities:	
Gas	\$ 15,974
Sewer	198,897
Airpark	396,093
Total depreciation expense - business-type activities	<u>\$ 610,964</u>

7. LONG-TERM DEBT

The summary of changes in long-term debt for the year is as follows:

	Balance, Beginning of Year	Additions	Retirements	Balance, End of Year
Governmental activities:				
Rural Development bonds payable	\$ 449,529	\$ -	\$ (18,404)	\$ 431,125
Compensated absences	55,960	20,413	-	76,373
Net pension liability	1,314,552	-	(192,065)	1,122,487
	<u>1,820,041</u>	<u>20,413</u>	<u>(210,469)</u>	<u>1,629,985</u>
Business-type activities:				
Sewer bonds	977,214	-	(30,139)	947,075
Compensated absences	52,087	3,017	-	55,104
Net pension liability	732,820	127,584	(78,649)	781,755
	<u>1,762,121</u>	<u>130,601</u>	<u>(108,788)</u>	<u>1,783,934</u>
	<u>\$3,582,162</u>	<u>\$ 151,014</u>	<u>\$ (319,257)</u>	<u>\$ 3,413,919</u>

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

7. LONG-TERM DEBT(Continued)

Bonds and notes payable at September 30, 2017, are comprised of the following individual issues:

Revenue bonds:

\$619,000 Revenue Bonds, Series 2003 Rural Development due in monthly installments of \$3,188 through May 2033; Interest at 4.5%. These funds were used to construct Public Safety building.	\$ 431,125
\$1,000,000 Sewer Revenue Bond, due in monthly installments of \$4,540 through May 2036, including interest at 4.5%. These funds were used to construct the sewer treatment plant.	685,840
\$349,000 Sewer Revenue Bond, due in monthly installments of \$1,584 through March 2039, including interest at 4.5%. These funds were used to make improvements to the Westside sewer treatment facility.	261,235
	\$ 1,378,200

The City is committed under bond agreements with the USDA Office of Rural Development to maintain certain reserve and contingency funds. The reserve and sinking fund amounts for the Public Safety building bonds was \$50,591 and \$18,623, respectively, and the reserve and contingency fund amounts for the sewer system bonds was \$78,574 and \$96,997, respectively, at September 30, 2017.

The annual requirements to amortize all bonds and notes outstanding as of September 30, 2017, are as follows:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 19,251	\$ 19,004	\$ 31,535	\$ 41,958
2019	20,135	18,119	32,984	40,510
2020	21,060	17,194	34,499	38,994
2021	22,028	16,227	36,084	37,409
2022	23,039	15,215	37,742	35,752
2023-2027	132,080	59,191	216,365	151,102
2028-2032	165,338	25,934	270,845	96,622
2033-2037	28,194	529	260,635	30,730
2038-2039	-	-	26,386	906
	\$ 431,125	\$ 171,413	\$ 947,075	\$ 473,983

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

8. DEDICATION OF PROCEEDS AND FLOW OF FUNDS – 2 1/2% SALES AND USE TAX

Proceeds of the 1% sales and use tax levied by the City of DeQuincy (2017 collections \$576,923) are dedicated as follows:

1. Provide funds for the maintenance of the City’s streets.

Proceeds of an additional 1% sales and use tax levied by the City of DeQuincy, effective January 1, 2011 (2017 collections \$567,972) and expires in 2036 are dedicated as follows:

1. Proceeds of the sales and use tax have been pledged and dedicated to the retirement of bonds and interest coupons to be issued for sewer improvements of the City.
2. Provide funds for the maintenance of the City’s sewer system.

Proceeds of a ½% sales and use tax levied by the City effective October 1, 2012 (2017 collections \$283,986) and expires in 2027 are dedicated as follows:

1. 70% of proceeds are dedicated to Police Department expenses.
2. 30% of proceeds are dedicated to Fire Department expenses.

9. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

At September 30, 2017, amounts due to/from the various funds were:

Creditor Fund	Debtor Fund	Amount
General Fund	Sales Tax Fund	\$ 317,304
General Fund	Gas Fund	111,280
Public Safety Fund	Sales Tax Fund	22,065
Sales Tax Fund	Sewer Fund	26,441
Sewer Fund	Gas Fund	195,412
Sewer Fund	General Fund	132,755
Airpark Fund	Sales Tax Fund	1,124
Airpark Fund	General Fund	18,678
		\$ 825,059

The following is a summary of interfund transfers for the year ended September 30, 2017:

Paying Fund	Receiving Fund	Amount
General Fund	Gas Utility Fund	\$ 3,988
General Fund	Public Safety Fund	392,388
Public Safety Fund	General Fund	344
Sales Tax Fund	Airpark Fund	975
Sales Tax Fund	General Fund	13,643
Sales Tax Fund	Gas Utility Fund	762
Sales Tax Fund	Sewer Utility Fund	762
Sewer Utility Fund	General Fund	20,037
Sewer Utility Fund	Public Safety Fund	9,881
Airpark Fund	Public Safety Fund	32,714
Airpark Fund	General Fund	1,724
		\$ 477,218

Generally, interfund transfers result from reimbursement to other funds for expenditures paid on behalf of the General Fund.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

10. GAS UTILITY REVENUE FUND

At September 30, 2017, there were approximately 1,402 customers being served by the gas distribution system. The total amount of gas billed during the year was \$440,402, resulting in an average monthly bill of \$26.18 per customer. The gas rates being charged by the City at September 30, 2017, are as follows:

Residential

Net monthly rate:
\$ 4.00 minimum charge
\$ 0.79622 per 100 cubic feet gas used

Commercial

Net monthly rate:
\$ 4.20 minimum charge
\$ 0.81622 per 100 cubic feet gas used

11. RETIREMENT PLANS

Substantially all employees of the City of DeQuincy are members of either the Municipal Employees' Retirement System of Louisiana or Municipal Police Employees' Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

Municipal Employees Retirement System

Plan Description

Employees of the City are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan established in accordance with the provisions of Louisiana Revised Statute 11:1731 to provide retirement, disability and survivor benefits to employees of all incorporated villages, towns and cities throughout the State of Louisiana. MERS is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the City, except for policemen are members of Plan A. MERS issues a publicly available financial report that may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, calling (225) 925-4810, or by downloading from www.mersla.com.

Benefits Provided

The following is a description of the Plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

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

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

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

11. RETIREMENT PLANS (Continued)

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

- a. Age 67 with seven (7) or more years of creditable service.
- b. Age 62 with ten (10) or more years of creditable service.
- c. Age 55 with thirty (30) or more years of creditable service.
- d. Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Deferred Retirement Option Plan (DROP) Benefits. In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of MERS has been terminated for at least one full year.

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

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

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

11. RETIREMENT PLANS (Continued)

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

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

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

Contributions

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending September 30, 2017, the actual employer contribution rate was 23.25% for Plan A. For the year ended September 30, 2017, the actuarially determined employer contribution rate was 22.92% for Plan A. The actuarially determined rate is the rate calculated to provide employer contributions that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective.

In accordance with state statute, MERS receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

The City's contractually required contribution rate for the year ended September 30, 2017, was 22.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

Contributions to the pension plan from the City were \$116,598 for the year ended September 30, 2017.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

11. RETIREMENT PLANS (Continued)

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

At September 30, 2017, the City reported a liability of \$1,079,339 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The City's proportion of the Net Pension Liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 0.258004%, which was a decrease of .011049 percentage points from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the City recognized pension expense of \$180,095.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (9,064)	\$ -	\$ (23,809)
Changes of assumptions	4,976	-	13,073	-
Net difference between projected and actual earnings on pension plan investments	60,009	-	157,642	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	(7,245)	-	(19,033)
Employer contributions subsequent to the measurement date	7,252	-	19,052	-
Total	\$ 72,237	\$ (16,309)	\$ 189,767	\$ (42,842)

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

11. RETIREMENT PLANS (Continued)

Deferred outflows of resources of \$26,304 related to MERS resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MERS will be recognized in pension expense as follows:

Year Ended <u>September 30</u>	
2018	\$ 44,770
2019	74,793
2020	47,224
2021	<u>9,762</u>
	<u>\$ 176,549</u>

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability of MERS as of June 30, 2017 are as follows:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Expected remaining service lives	3 years for Plan A

Actuarial assumptions:

Investment rate of return	7.4%, net of investment expense
Inflation rate	2.775%
Projected salary increases	5.000%
Mortality Rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants
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.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

11. RETIREMENT PLANS (Continued)

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

The discount rate used to measure the total pension liability was 7.4%. 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 of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	One Percentage Point Decrease 6.40%	Current Discount Rate 7.40%	One Percentage Point Increase 8.40%
Net Pension Liability	\$ 1,375,437	\$ 1,079,339	\$ 826,776

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Municipal Employees' Retirement System of Louisiana Annual Financial Report at www.mersla.com or www.la.state.la.us.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

11. RETIREMENT PLANS (Continued)

Municipal Police Employees' Retirement System of Louisiana (MPERS)

Plan Description

The City contributes to MPERS which is a cost-sharing multiple-employer defined benefit pension plan. MPERS was established by Act 189 of the 1973 regular session of the Legislative of the State of Louisiana to provide retirement, disability, and survivor benefits to municipal police officers in Louisiana.

The Municipal Police Employees' Retirement System is the administrator of MPERS. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211- 11:2233.

MPERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the System, which can be obtained at www.lampers.org or www.la.state.la.us.

Benefits Provided

The following is a description of the Plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Retirement Benefits. Any member prior to January 1, 2013, can retire providing he/she meets one of the following criteria:

- a. At any age after 25 years of creditable service
- b. At age 55 after 12 years of creditable service
- c. At age 50 after 20 years of creditable service
- d. At any age after 20 years of creditable service, with an actuarially reduced benefit

Any member after January 1, 2013, under Hazardous Duty sub plan can retire providing he/she meets one of the following criteria:

- a. At any age after 25 years of creditable service
- b. At age 55 after 12 years of creditable service
- c. At any age after 20 years of creditable service, with an actuarially reduced benefit from age 55

Any member after January 1, 2013, under Non-Hazardous Duty sub plan can retire providing he/she meets one of the following criteria:

- a. At any age after 30 years of creditable service
- b. At age 60 after 10 years of creditable service
- c. At age 55 after 25 years of creditable service
- d. At any age after 20 years of creditable service, with an actuarially reduced benefit from age 55

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

11. RETIREMENT PLANS (Continued)

Benefit rates for membership prior to January 1, 2013, are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Benefit rates for membership after January 1, 2013, are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Deferred Retirement Option Plan (DROP) Benefits. A member is eligible to elect to enter DROP when he/she is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty- six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefits based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account.

Disability Benefits. The Board of Trustees may award benefits to those eligible members who have been certified as disabled by the State Medical Disability Board. The application must be filed with the Board of Trustees through the office of the Director prior to the date of termination of employment. Please see specific procedures for disability retirement as described and provided for in R.S. 11:208, R.S. 11:216 through R.S. 11:224 and R.S. 11:223.

Survivor's Benefits. Upon the death of an active contributing member (membership prior to January 1, 2013), or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200/month, whichever is greater.

Upon the death of an active contributing member (membership after to January 1, 2013), or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200/month, whichever is greater. If the deceased member had less than ten years of service, the beneficiary will receive a refund of employee contributions only.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

11. RETIREMENT PLANS (Continued)

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

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

Contributions

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended September 30, 2017, total contributions due for employers and employees were 41.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013, and Hazardous Duty members hired after January 1, 2013, were 31.75% and 10.0%, respectively.

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

The City's contractually required contribution rate for the year ended September 30, 2017, was 31.75% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

Contributions to the pension plan from the City were \$90,347 for the year ended September 30, 2017.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

11. RETIREMENT PLANS (Continued)

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

At September 30, 2017, the City reported a liability of \$824,903 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The City's proportion of the Net Pension Liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 0.100781%, which was an increase of .002621 percentage points from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the City recognized pension expense of \$66,135.

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

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,401	\$ (6,340)
Changes of assumptions	58,696	-
Net difference between projected and actual earnings on pension plan investments	36,111	-
Change in proportion and differences between employer contributions and proportionate share of contributions	18,826	(35,997)
Employer contributions subsequent to the measurement date	21,158	-
Total	\$ 140,192	\$ (42,337)

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

11. RETIREMENT PLANS (Continued)

Deferred outflows of resources of \$21,158 related to MPERS resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MPERS will be recognized in pension expense as follows:

<u>Year Ended</u> <u>September 30</u>		
2018	\$	36,771
2019		41,835
2020		17,448
2021		<u>(19,357)</u>
	<u>\$</u>	<u>76,697</u>

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability of MPERS as of June 30, 2017 are as follows:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Expected remaining service lives	4 years
Actuarial assumptions:	
Investment rate of return	7.325%, net of investment expense
Inflation rate	2.700%
Projected salary increases	1-2 years of service: 9.75% 3-23 years of service: 4.75% 23 & over years of service: 4.250%
Mortality Rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

11. RETIREMENT PLANS (Continued)

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, 2010 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.

The discount rate used to measure the total pension liability was 7.325%. 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 of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	One Percentage Point Decrease 6.325%	Current Discount Rate 7.325%	One Percentage Point Increase 8.325%
Net Pension Liability	\$ 1,139,683	\$ 824,903	\$ 560,825

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Municipal Police Employees' Retirement System of Louisiana Annual Financial Report at www.lampers.org or on www.lla.state.la.us.

12. RISK MANAGEMENT

The City has been advised by its legal counsel that he is not aware of any litigation (actual or threatened), claims, or assessments against the City. The City is secured from various types of claims and other potential loss via commercial insurance.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Financial Statements

13. COMPENSATION OF THE CITY COUNCIL

Salaries paid to the City Council during the year was as follows:

Denise Maddox	\$	1,800
Andrea Coleman		1,800
Judy Landry		1,800
Ronda Jacobs		1,800
Mark Peloquin		1,800
		\$ 9,000

14. SEWER CUSTOMERS AND RATES

Following are the sewer rates by customer type as of year end:

	<u>Rate per Month</u>	<u>Number of Customers</u>
Residential:		
Inside city limits	\$8	1,180
Oustside city limits	\$10	64
Commercial:		
Small business	\$12	80
Convenience store and banks	\$20	17
Small RV park	\$24	1
Funeral home, bar, and was hateria	\$30	7
Restaurants	\$40	12
Grocery stores	\$60	2
Small motel	\$100	1
Medium motel	\$160	1
Elderly housing complex	\$120	2
Nursing home and hospital	\$200	2
Schools	\$300	4
Small apartment complex (based on no. of units)	\$80-\$120	3
Large apartment complex	\$384	1

16. SUBSEQUENT EVENTS

The City has evaluated its September 30, 2017 financial statements for subsequent events through March 27, 2017, the date the financial statements were available to be issued. The City is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Required Supplementary Information

CITY OF DEQUINCY, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 268,000	\$ 268,000	\$ 266,226	\$ (1,774)
Licenses and permits	241,400	276,400	302,326	25,926
Intergovernmental	16,000	16,000	19,615	3,615
Charges for services	265,000	265,000	263,004	(1,996)
Miscellaneous	7,000	18,000	17,232	(768)
Interest earned	1,510	3,510	4,002	492
Grants	365,000	457,000	432,626	(24,374)
Total revenues	<u>1,163,910</u>	<u>1,303,910</u>	<u>1,305,031</u>	<u>1,121</u>
EXPENDITURES				
Current:				
General government	302,850	258,150	210,100	48,050
Sanitation	250,000	240,000	239,904	96
Culture and recreation	21,000	29,000	53,034	(24,034)
Capital outlay	175,000	47,000	45,833	1,167
Debt Service:				
Principal	15,500	15,000	18,404	(3,404)
Interest	-	-	19,850	(19,850)
Total expenditures	<u>764,350</u>	<u>589,150</u>	<u>587,125</u>	<u>2,025</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	399,560	714,760	717,906	3,146
OTHER FINANCING SOURCES (USES)				
Operating transfers in	42,000	42,000	35,748	(6,252)
Operating transfers (out)	(627,020)	(627,020)	(396,375)	230,645
Total other financing sources (uses)	<u>(585,020)</u>	<u>(585,020)</u>	<u>(360,627)</u>	<u>224,393</u>
NET CHANGES IN FUND BALANCE	<u>(185,460)</u>	<u>129,740</u>	<u>357,279</u>	<u>227,539</u>
Beginning fund balance	<u>1,346,378</u>	<u>1,346,378</u>	<u>1,346,378</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 1,160,918</u>	<u>\$ 1,476,118</u>	<u>\$ 1,703,657</u>	<u>\$ 227,539</u>

CITY OF DEQUINCY, LOUISIANA
PUBLIC SAFETY SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 280,000	\$ 283,000	\$ 283,986	\$ 986
Charges for services	80,000	87,000	88,185	1,185
Fines and forfeits	175,000	288,000	286,882	(1,118)
Miscellaneous	2,000	2,000	-	(2,000)
Interest earned	1,000	1,000	1,536	536
Grants	20,000	21,000	21,684	684
Total revenues	<u>558,000</u>	<u>682,000</u>	<u>682,273</u>	<u>273</u>
EXPENDITURES				
Current:				
Public safety	1,039,020	1,079,020	1,085,881	(6,861)
Capital outlay	103,000	69,000	61,935	7,065
Total expenditures	<u>1,142,020</u>	<u>1,148,020</u>	<u>1,147,816</u>	<u>204</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(584,020)	(466,020)	(465,543)	477
OTHER FINANCING SOURCES (USES)				
Operating transfers in	585,020	585,020	434,983	(150,037)
Operating transfers (out)	-	-	(344)	(344)
Total other financing sources (uses)	<u>585,020</u>	<u>585,020</u>	<u>434,639</u>	<u>(150,381)</u>
NET CHANGES IN FUND BALANCE				
	<u>1,000</u>	<u>119,000</u>	<u>(30,904)</u>	<u>(149,904)</u>
Beginning fund balance	<u>287,421</u>	<u>287,421</u>	<u>287,421</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 288,421</u>	<u>\$ 406,421</u>	<u>\$ 256,517</u>	<u>\$ (149,904)</u>

CITY OF DEQUINCY, LOUISIANA
STREET'S SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 555,000	\$ 578,000	\$ 576,923	\$ (1,077)
Miscellaneous	1,000	1,000	14,610	13,610
Interest earned	1,500	1,500	2,407	907
Grants	1,100,000	942,000	936,546	(5,454)
Total revenues	<u>1,657,500</u>	<u>1,522,500</u>	<u>1,530,486</u>	<u>7,986</u>
EXPENDITURES				
Current:				
Highways and streets	513,000	394,800	395,064	(264)
Capital outlay	1,100,000	1,051,000	1,050,676	324
Total expenditures	<u>1,613,000</u>	<u>1,445,800</u>	<u>1,445,740</u>	<u>60</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	44,500	76,700	84,746	8,046
OTHER FINANCING SOURCES (USES)				
Sales of fixed assets	-	-	6,207	6,207
Operating transfers in	-	-	1,524	1,524
Operating transfers (out)	-	-	(14,618)	(14,618)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(6,887)</u>	<u>(6,887)</u>
NET CHANGES IN FUND BALANCE	44,500	76,700	77,859	1,159
Beginning fund balance	<u>612,062</u>	<u>612,062</u>	<u>612,062</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 656,562</u>	<u>\$ 688,762</u>	<u>\$ 689,921</u>	<u>\$ 1,159</u>

CITY OF DEQUINCY
DeQuincy, Louisiana

Schedule of Employer's Proportionate Share
of Net Pension Liability (NPL)

<u>Measurement Date</u>	<u>Employer's Proportion of NPL</u>	<u>Employer's Proportionate Share of NPL</u>	<u>Employer's Covered Payroll</u>	<u>Share of NPL as % of Covered Payroll</u>	<u>Plan % Funded</u>
MERS:					
6/30/2017	0.258004%	1,079,339	468,554	230.36%	62.49%
6/30/2016	0.269053%	1,102,770	480,623	229.45%	62.11%
6/30/2015	0.272213%	972,387	464,603	209.29%	66.18%
6/30/2014	0.265787%	682,128	447,851	152.31%	74.08%
MPERS:					
6/30/2017	0.094486%	824,903	281,068	293.49%	70.08%
6/30/2016	0.100781%	944,602	262,302	360.12%	66.04%
6/30/2015	0.098160%	768,981	260,504	295.19%	70.73%
6/30/2014	0.093498%	584,931	285,005	205.24%	75.10%

CITY OF DEQUINCY
DeQuincy, Louisiana

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
MERS:					
6/30/2017	106,596	106,596	-	468,554	22.75%
6/30/2016	94,923	94,923	-	480,623	19.75%
6/30/2015	91,759	91,759	-	464,603	19.75%
6/30/2014	83,972	83,972	-	447,851	18.75%
MPERS:					
6/30/2017	89,239	89,239	-	281,068	31.75%
6/30/2016	83,281	83,281	-	262,302	31.75%
6/30/2015	82,710	82,710	-	260,504	31.75%
6/30/2014	90,489	90,489	-	285,005	31.75%

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana
Notes to the Required Supplementary Information

1. BUDGETS

Formal budget integration (within the accounting records) is employed as a management control device. All budgets are controlled at the division, departmental, or project level. However, when projected revenues within a fund fail to meet budgeted revenues and/or projected expenditures within a fund exceed budgeted expenditures by five percent or more, a budget amendment is adopted by the City in an open meeting.

Budgets are prepared for all governmental funds of the City. The budgets are prepared on the modified accrual basis of accounting (GAAP). Budgeted amounts are as originally adopted or as amended by the City Council. Legally, the City Council must adopt a balanced budget; that is, total budgeted revenues and other financing sources (including fund balance) must equal or exceed total budgeted expenditures and other financing uses. State statutes require the City Council to amend its budgets when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures plus projected expenditures within a fund are expected to exceed budgeted expenditures by five percent or more. The City approves budgets at the function level and management can transfer amounts between line items within a function.

2. PENSIONS

Changes of Benefit Terms. For MERS, there were no changes in benefit terms for the year ended June 30, 2017. For MPERS, there were no changes in benefit terms for the year ended June 30, 2017.

Changes of Assumptions. For MERS, changes to benefit assumptions for the year ended June 30, 2017, included decreases in investment rate of return from 7.5% to 7.4% and in the inflation rate from 3.0% to 2.775%. For MPERS, changes to benefit assumptions for the year ended June 30, 2017, included decreases in investment rate of return from 7.5% to 7.325% and in the inflation rate from 2.875% to 2.700%.

*Other Supplemental
Information*

CITY OF DEQUINCY, LOUISIANA

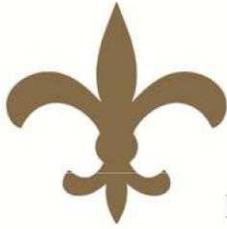
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

For the Year Ended September 30, 2017

Agency Head Name: Mayor Lawrence Henegan

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 28,971
Benefits-insurance	11,497
Benefits-retirement	6,738
Conference travel	645
Cell phone	705
	<u>705</u>
	<u>\$ 48,556</u>

Government Auditing Standards



J. Aaron Cooper , CPA, LLC

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Member of the American Institute of Certified Public Accountants and the Society of Louisiana Certified Public Accountants

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

Honorable Mayor and City Council
City of DeQuincy, Louisiana

I have audited, 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, the financial statements of governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of the City of DeQuincy, Louisiana as of and for the year ended September 30, 2017, which collectively comprise the City’s basic financial statements and have issued my report thereon dated March 27, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the 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.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 my audit I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. I did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Item 2017-1(IC), that I consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as Item 2017-1(C).

Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Restrictions on this Report

This report is intended solely for the information and use of the City of DeQuincy, its management, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "J. Aaron Cozart, CPA, LLC". The signature is written in a cursive, flowing style.

DeQuincy, Louisiana
March 27, 2018

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2017

Section I - Summary of Audit Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiency identified not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Management Letter

N/A

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended September 30, 2017

Section II – Financial Statement Findings

Internal Control:

Finding 2017-1(IC) – Purchase orders

Finding. During the course of auditing purchases, it was noted that two purchases did not include purchase orders.

Criteria. Good internal control dictate that purchases be authorized by a member of management prior to purchase.

Cause. The missing purchase orders appear to be an oversight.

Effect. Without a good purchase order system, unauthorized purchases could be made by City employees.

Recommendation. Purchase orders should be obtained for all purchases over \$100 in accordance with City policy.

Management's Response. We concur with the auditor's finding and will implement the recommendation.

Compliance:

Finding 2017-1(C) – Compliance with Bid Law

Finding. During the course of auditing purchases, it was noted that there was a purchase of equipment over \$30,000 which did not comply with bid law.

Criteria. All purchases over \$30,000 for items such as equipment are required to go through the public bid process.

Cause. The vendor misled the City into thinking that they were sole source for the equipment.

Effect. The foregoing finding results in the City not being in compliance with state law.

Recommendation. All purchases over \$10,000 should require three quotes and all purchases over \$30,000 should be publicly bid.

Management's Response. We concur with the auditor's finding and will implement the recommendation.

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended September 30, 2017

Internal Control:

None

Compliance:

Finding 2016-1(C) – Bank Accounts Not Included in Accounting Records

Finding. During the course of confirming bank accounts, it was discovered that there were three accounts belonging to the DeQuincy Volunteer Fire Department and the DeQuincy Police Association that were not included in the accounting records of the City. Additionally, one of the accounts was used to pay per diem to Fire Department volunteers. Some of the volunteers received over \$600; however, no Forms 1099 were issued.

Criteria. All bank accounts consisting of public funds related to the City should be included in the accounting records. Additionally, any individual that receives payments exceeding \$600 from the City during any calendar year should be issued a Form 1099.

Effect. The foregoing finding results in the City not being in compliance with state and federal law.

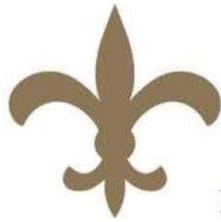
Recommendation. The newly-discovered accounts should be included in the accounting records of the City. Also, the City should comply with IRS regulations regarding the payments to the volunteers.

Corrective Action Taken. The checking accounts and firefighter salaries were incorporated into the records of the City.

CITY OF DEQUINCY, LOUISIANA

**STATEWIDE AGREED-UPON
PROCEDURES REPORT**

For the Year Ended September 30, 2017



J. Aaron Cooper , CPA, LLC

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Member of the American Institute of Certified Public Accountants and the Society of Louisiana Certified Public Accountants.

Recipient of Advanced Single Audit Certificate

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

City of DeQuincy
DeRidder, Louisiana

I have performed the procedures enumerated below, which were agreed to by the City of DeQuincy and the Legislative Auditor, State of Louisiana, on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2016 through September 30, 2017. The Entity's management is responsible for those control and compliance areas 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 the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts***, including receiving, recording, and preparing deposits
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) ***Debt Service***, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The City maintains written policies for most of the foregoing areas, except contracting, credit cards, and debt service.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - 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).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The City Council meets monthly. No meetings without a quorum were noted. The minutes of the meetings mentioned monthly budget-to-actual reports. There were numerous references to non-budgetary financial information in the minutes during the year.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - 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.

All bank reconciliations were tested. The reconciliations were all prepared by the contracted CPA that is not involved with the cash receipts or cash disbursements processes. There were no instances of stale-dated checks on the bank reconciliations.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

City Hall is the primary cash collection location. All cashiers are bonded. Cashiers prepare deposits, however, the City Clerk reviews and approves the daily drawer reconciliations and the deposits. Cashiers have their own drawers. Contracted CPA reconciles bank account. Completeness of receipts controlled by utility system. All system edits are reviewed and approved by the City Clerk. During testing, it was noted that two deposits were made on the second business day following collection instead of the first business day after collection.

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

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management’s representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity’s purchasing/disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

I downloaded a listing of all disbursements from the accounting systems and randomly selected 25 for testing (excluding credit card transactions). I noted two exceptions with regard to purchase orders and one exception with regard to bid law. The Accounts Payable Clerk has authorization within the accounting system to add vendors. Signatories do not have a responsibility for initiating or recording purchases. Check stock is stored in the vault. The signature stamp for the Mayor is accessible by the City Clerk but is only used in extreme cases with the Mayor's verbal approval. The signatories do not maintain the signed checks until mailed.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

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

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
 - c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

I obtained a listing of all credit cards (6) and selected two for testing. For each card, I determined the month with the largest activity and performed the foregoing tests. The only exception noted was that the Mayor approved his own purchases.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
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:
- 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.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- 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.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

I obtained a report from the payroll system containing all employees with travel reimbursements and selected three employees with the largest travel reimbursements. The largest reimbursement for each employee was selected for testing. No exceptions were noted during testing.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
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:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - 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:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - 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.

- 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.
- 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).

I downloaded the check register and filtered the data by accounts that could potentially contain contractor payments. I created a listing of the vendors with disbursement amounts greater than \$10,000 during year and requested that management identify which vendors were under contract. From that list, the five contractors with the largest total payments for the year were selected. No exceptions were noted during testing.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - 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.
- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - 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.
- 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.

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.

I randomly selected 5 employees for testing of compensation paid. No exceptions were noted. For testing of leave documentation, I selected the pay period ended December 25, 2016 and tested all leave taken. No exceptions were noted. I then obtained a listing of employees who received severance pay during the year and agreed the two largest payments to the underlying documentation. Finally, using the general ledger I identified payments made during the year for retirement and payroll taxes and identified the related pay date. All payments were made timely.

Ethics (excluding nonprofits)

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.
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.

Using the randomly selected five employees from the previous sample, I obtained the certificates documenting the ethics training for those employees. According to management, no ethics violations were reported during the year.

Debt Service (excluding nonprofits)

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

No new debt was issued during the year. All debt service payments were properly and timely made. There are no ad valorem millages relating to debt service.

Other

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.

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 www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Management is not aware of any misappropriation of public funds or assets. Notice of the hotline information is posted on the employee bulletin board.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of City of DeQuincy, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

J. Aaron Cozart, CPA, LLC

March 28, 2018