

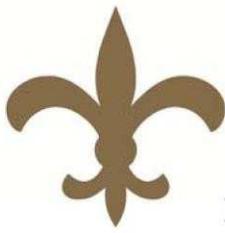
CITY OF DEQUINCY, LOUISIANA

Financial Report

For the Year Ended September 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2018, 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 basis 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.

Honorable Mayor and City Council
City of DeQuincy, Louisiana
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated March 27, 2019, 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, 2019

CITY OF DEQUINCY, LOUISIANA

STATEMENT OF NET POSITION

September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,085,324	\$ 1,807,908	\$ 3,893,232
Investments	444,835	1,043,327	1,488,162
Accounts receivable	398,295	298,324	696,619
Due (to)/from other funds	(19,264)	19,264	-
Restricted cash	73,147	184,103	257,250
Restricted investments	-	172,518	172,518
Other assets	46,899	37,799	84,698
Capital assets, net	4,695,190	6,260,355	10,955,545
Total assets	7,724,426	9,823,598	17,548,024
DEFERRED OUTFLOWS OF RESOURCES	228,971	141,155	370,126
LIABILITIES			
Accounts payable and accrued liabilities	152,875	303,641	456,516
Customer deposits	-	101,314	101,314
Long-term liabilities:			
Due within one year	20,135	32,984	53,119
Due after one year	1,671,826	1,614,098	3,285,924
Total liabilities	1,844,836	2,052,037	3,896,873
DEFERRED INFLOWS OF RESOURCES	90,474	44,694	135,168
NET POSITION			
Invested in capital assets	4,282,115	5,344,805	9,626,920
Restricted for public safety	185,048	-	185,048
Restricted for street maintenance	704,013	-	704,013
Restricted for debt service	-	184,103	184,103
Unrestricted	846,911	2,339,114	3,186,025
Total net position	\$ 6,018,087	\$ 7,868,022	\$ 13,886,109

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, 2018

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	\$ 374,553	\$ -	\$ (374,553)	\$ -	\$ (374,553)
Public safety	1,318,033	85,094	(1,232,939)	-	(1,232,939)
Sanitation	246,080	285,899	39,819	-	39,819
Highways and streets	537,777	-	(537,777)	-	(537,777)
Culture and recreation	87,763	-	(87,763)	-	(87,763)
Interest on long-term debt	20,204	-	(20,204)	(41,969)	(62,173)
Total governmental activities	<u>2,584,410</u>	<u>370,993</u>	<u>(2,213,417)</u>	<u>(41,969)</u>	<u>(2,255,386)</u>
Business-type activities:					
Gas	559,021	602,047	-	43,026	43,026
Sewer	728,719	234,565	-	(494,154)	(494,154)
Airpark	586,022	61,325	-	(524,697)	(524,697)
Revolving loan fund	-	187	-	187	187
Total business-type activities	<u>1,873,762</u>	<u>898,124</u>	<u>-</u>	<u>(975,638)</u>	<u>(975,638)</u>
Total primary government	<u>\$ 4,458,172</u>	<u>\$ 1,269,117</u>	<u>(2,213,417)</u>	<u>(1,017,607)</u>	<u>(3,231,024)</u>
General revenues:					
Taxes			1,210,483	815,605	2,026,088
Licenses and permits			312,124	-	312,124
Intergovernmental			18,902	-	18,902
Fines and forfeitures			297,654	-	297,654
Grants and contributions not restricted to specific programs			703,475	260,981	964,456
Investment earnings			19,151	22,620	41,771
Other			21,040	-	21,040
Special items:					
Reimbursement of grant funds			-	(180,462)	(180,462)
Gain on disposal of capital assets			14,878	300	15,178
Transfers			55,486	(55,486)	-
Total general revenues and transfers			<u>2,653,193</u>	<u>863,558</u>	<u>3,516,751</u>
Change in net position			439,776	(154,049)	285,727
Beginning net position			<u>5,578,311</u>	<u>8,022,071</u>	<u>13,600,382</u>
Ending net position			<u>\$ 6,018,087</u>	<u>\$ 7,868,022</u>	<u>\$ 13,886,109</u>

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

CITY OF DEQUINCY, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2018

	General	Public Safety Special Revenue	Streets Special Revenue	Total
ASSETS				
Cash and cash equivalents	\$ 1,329,948	\$ 103,859	\$ 651,517	\$ 2,085,324
Investments	111,975	86,481	246,379	444,835
Receivables	160,015	6,598	142,751	309,364
Due from other funds	461,268	23,562	23,449	508,279
Restricted cash	73,147	-	-	73,147
Other assets	6,236	33,848	6,815	46,899
Total assets	\$ 2,142,589	\$ 254,348	\$ 1,070,911	\$ 3,467,848
LIABILITIES				
Accounts payable	\$ 66,849	\$ 44,472	\$ 12,311	\$ 123,632
Accrued expenses	-	22,069	7,174	29,243
Due to other funds	177,371	2,759	347,413	527,543
Total liabilities	244,220	69,300	366,898	680,418
FUND BALANCES				
Restricted for public safety	-	185,048	-	185,048
Restricted for street maintenance	-	-	704,013	704,013
Unassigned	1,898,369	-	-	1,898,369
Total liabilities and fund balances	\$ 2,142,589	\$ 254,348	\$ 1,070,911	\$ 3,467,848

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, 2018

Total fund balances for governmental funds at end of year	\$ 2,787,430
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>88,931</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>4,675,190</u>
	<u>4,695,190</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	(413,075)
Net pension liability	(1,197,466)
Compensated absences payable	<u>(81,420)</u>
	<u>(1,691,961)</u>
Pension related deferrals	
Outflows	228,971
Inflows	<u>(90,474)</u>
	<u>138,497</u>
Total net position of governmental activities at end of year	<u>\$ 6,018,087</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, 2018

	General	Public Safety Special Revenue	Streets Special Revenue	Total Governmental Funds
REVENUES				
Taxes	\$ 286,833	\$ 307,803	\$ 615,847	\$ 1,210,483
Licenses and permits	312,124	-	-	312,124
Intergovernmental	18,902	-	-	18,902
Charges for services	285,899	85,094	-	370,993
Fines and forfeitures	-	297,654	-	297,654
Miscellaneous	6,245	-	14,795	21,040
Interest earned	14,526	1,337	3,288	19,151
Grants	417,951	-	294,763	712,714
Total revenues	<u>1,342,480</u>	<u>691,888</u>	<u>928,693</u>	<u>2,963,061</u>
EXPENDITURES				
Current:				
General government	239,327	-	-	239,327
Public safety	-	1,157,405	-	1,157,405
Sanitation	246,080	-	-	246,080
Highways and streets	-	-	430,929	430,929
Culture and recreation	56,584	-	-	56,584
Capital outlay	20,968	162,832	547,247	731,047
Debt Service:				
Principal	18,051	-	-	18,051
Interest	20,204	-	-	20,204
Total expenditures	<u>601,214</u>	<u>1,320,237</u>	<u>978,176</u>	<u>2,899,627</u>
Excess (deficiency) of revenues over (under) expenditures	741,266	(628,349)	(49,483)	63,434
OTHER FINANCING SOURCES (USES)				
Sales of fixed assets	-	17,395	1,020	18,415
Operating transfers in	30,134	539,485	65,287	634,906
Operating transfers (out)	(576,688)	-	(2,732)	(579,420)
Total other financing sources (uses)	<u>(546,554)</u>	<u>556,880</u>	<u>63,575</u>	<u>73,901</u>
NET CHANGES IN FUND BALANCES	194,712	(71,469)	14,092	137,335
Beginning fund balances	<u>1,703,657</u>	<u>256,517</u>	<u>689,921</u>	<u>2,650,095</u>
ENDING FUND BALANCES	<u>\$ 1,898,369</u>	<u>\$ 185,048</u>	<u>\$ 704,013</u>	<u>\$ 2,787,430</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, 2018

Total net changes in fund balances for the year per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 137,335
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>(9,239)</u>
Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances	731,047
Depreciation expense for the year	<u>(338,569)</u>
	392,478
Net book value of assets retired during year	(3,537)
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>18,051</u>
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	(90,265)
Change in compensated absences	<u>(5,047)</u>
Total changes in net position for the year per Statement of Activities	<u>\$ 439,776</u>

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, 2018

	Gas Utility Revenue Fund	Sewer Utility Revenue Fund	Industrial Airpark Fund	Revolving Loan Fund	Total
ASSETS					
Cash and cash equivalents	\$ 243,771	\$ 1,151,321	\$ 412,816	\$ -	\$ 1,807,908
Restricted cash	-	184,103	-	-	184,103
Investments	194,359	187,735	661,233	-	1,043,327
Restricted investments	172,518	-	-	-	172,518
Accounts receivable	50,992	27,348	219,984	-	298,324
Other assets	20,584	5,707	11,508	-	37,799
Due from other funds	-	454,386	21,565	-	475,951
Total current assets	682,224	2,010,600	1,327,106	-	4,019,930
Property, plant and equipment, net of accumulated depreciation	83,239	2,934,795	3,242,321	-	6,260,355
Total assets	765,463	4,945,395	4,569,427	-	10,280,285
DEFERRED OUTFLOWS OF RESOURCES	43,189	97,966	-	-	141,155
LIABILITIES					
Current liabilities					
Accounts payable	37,145	41,629	211,741	-	290,515
Payroll liabilities	4,307	8,819	-	-	13,126
Bonds payable, current portion	-	32,984	-	-	32,984
Customer deposits	101,314	-	-	-	101,314
Due to other funds	433,238	23,449	-	-	456,687
Total current liabilities	576,004	106,881	211,741	-	894,626
Long-term liabilities:					
Compensated absences	16,738	37,551	-	-	54,289
Net pension liability	207,215	470,028	-	-	677,243
Bonds payable	-	882,566	-	-	882,566
Total liabilities	799,957	1,497,026	211,741	-	2,508,724
DEFERRED INFLOWS OF RESOURCES	13,675	31,019	-	-	44,694
NET POSITION					
Invested in capital assets, net of related debt	83,239	2,019,245	3,242,321	-	5,344,805
Restricted for debt service	-	184,103	-	-	184,103
Unrestricted	(88,219)	1,311,968	1,115,365	-	2,339,114
Total net position	\$ (4,980)	\$ 3,515,316	\$ 4,357,686	\$ -	\$ 7,868,022

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, 2018

	Gas Utility Revenue Fund	Sewer Utility Revenue Fund	Industrial Airpark Fund	Revolving Loan Fund	Total
OPERATING REVENUES:					
Charges for services	\$ 602,047	\$ 234,565	\$ -	\$ -	\$ 836,612
Rent	-	-	61,325	-	61,325
Interest earned	-	-	-	187	187
Total operating revenue	602,047	234,565	61,325	187	898,124
OPERATING EXPENSES:					
Personal services	127,131	338,670	3,341	-	469,142
Natural gas purchased	250,786	-	-	-	250,786
Materials and supplies	52,591	36,101	47,078	-	135,770
Utilities	2,801	60,486	12,704	-	75,991
Depreciation	15,087	198,366	391,432	-	604,885
Bad debts	12,944	-	-	-	12,944
Other services and charges	97,681	95,096	131,467	-	324,244
Total operating expenses	559,021	728,719	586,022	-	1,873,762
Operating income (loss)	43,026	(494,154)	(524,697)	187	(975,638)
Non-operating revenues (expenses):					
Miscellaneous revenues and grants	-	-	260,981	-	260,981
Reimbursement of grant funds	-	-	-	(180,462)	(180,462)
Taxes	-	615,605	200,000	-	815,605
Earnings on investments	(2,813)	6,421	19,012	-	22,620
Gain (loss) on disposal of assets	300	-	-	-	300
Interest and fiscal charges	-	(41,969)	-	-	(41,969)
Total nonoperating revenues (expenses)	(2,513)	580,057	479,993	(180,462)	877,075
Income before operating transfers	40,513	85,903	(44,704)	(180,275)	(98,563)
Transfers from (to) other funds	(24,467)	(17,540)	(13,479)	-	(55,486)
Net income	16,046	68,363	(58,183)	(180,275)	(154,049)
Beginning net position	(21,026)	3,446,953	4,415,869	180,275	8,022,071
Ending net position	\$ (4,980)	\$ 3,515,316	\$ 4,357,686	\$ -	\$ 7,868,022

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, 2018

	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	\$ 583,176	\$ 231,087	\$ 61,325	\$ 187	\$ 875,775
Payments to suppliers	(423,167)	(160,545)	(15,699)	-	(599,411)
Payments to/on behalf of employees	(163,411)	(358,549)	-	-	(521,960)
Net cash provided (used) by operating activities	(3,402)	(288,007)	45,626	187	(245,596)
Cash flows from noncapital financing activities:					
Miscellaneous revenues and grants	-	-	70,335	-	70,335
Taxes received	-	615,605	200,000	-	815,605
Operating transfers in (out)	(24,467)	(17,540)	(13,479)	-	(55,486)
Increase in customer deposits	3,550	-	-	-	3,550
Advances from (to) other funds	126,545	(129,211)	(1,762)	-	(4,428)
Net cash provided (used) by noncapital financing activities	105,628	468,854	255,094	-	829,576
Cash flows from investing activities:					
Interest income	(2,813)	6,421	19,012	-	22,620
Change in investments	2,831	303,595	4,367	-	310,793
Net cash provided by (used in) investing activities	18	310,016	23,379	-	333,413
Cash flows from capital and related financing activities:					
Capital expenditures for plant and equipment	-	(27,345)	(270,679)	-	(298,024)
Proceeds from sales of assets	300	-	-	-	300
Principal payments on notes and revenue bonds	-	(31,525)	-	-	(31,525)
Reimbursement of grant funds	-	-	-	(180,462)	(180,462)
Interest paid	-	(41,969)	-	-	(41,969)
Net cash used in capital and related financing activities	300	(100,839)	(270,679)	(180,462)	(551,680)
Net change in cash	102,544	390,024	53,420	(180,275)	365,713
Cash and cash equivalents-beginning of year	141,227	945,400	359,396	180,275	1,626,298
Cash and cash equivalents-end of year	\$ 243,771	\$ 1,335,424	\$ 412,816	\$ -	\$ 1,992,011

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, 2018

	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)	\$ 43,026	\$ (494,154)	\$ (524,697)	\$ 187	\$ (975,638)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	15,087	198,366	391,432	-	604,885
Change in operating assets and liabilities:					
Account receivable	(18,871)	(3,478)	-	-	(22,349)
Other assets	(1,261)	4,891	(1,044)	-	2,586
Accounts payable and other accrued expenses	(5,275)	24,308	179,935	-	198,968
Net pension liability and related deferrals	(36,108)	(17,940)	-	-	(54,048)
Total adjustments	(46,428)	206,147	570,323	-	730,042
Net cash provided (used) by operating activities	<u>\$ (3,402)</u>	<u>\$ (288,007)</u>	<u>\$ 45,626</u>	<u>\$ 187</u>	<u>\$ (245,596)</u>
Supplemental Disclosure:					
Cash paid for interest	<u>\$ -</u>	<u>\$ 41,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,969</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, 2018.

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, 2018, employees of the City have accumulated approximately \$135,709 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, 2018, the City had cash and cash equivalents (book balances) totaling \$4,150,482 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 150.165 investments in LAMP are not categorized in the three risk categories provided by GASB Codification Section 150.164 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's balance with LAMP at September 30, 2018 is \$1,382,317

At September 30, 2018, the City had the following investments:

	Unrestricted	Restricted
Certificates of deposit	\$ 1,241,800	\$ -
U.S. agency securities	246,362	172,518
	\$ 1,488,162	\$ 172,518

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, 2018, the City had \$4,068,844 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 \$1,634,822 of federal deposit insurance and \$2,434,022 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 \$607,688 at September 30, 2018, are as follows:

	General	Public Safety Special Revenue	Street Special Revenue	Gas Utility	Sewer	Airpark	Total
Receivables:							
Utilities	\$ 85,909	\$ -	\$ -	\$ 99,737	\$ 56,551	\$ -	\$ 242,197
Other	118,343	6,598	142,751	-	-	219,984	487,676
Less: allowance for doubtful accounts	(44,237)	-	-	(48,745)	(29,203)	-	(122,185)
Net of allowance	<u>\$ 160,015</u>	<u>\$ 6,598</u>	<u>\$ 142,751</u>	<u>\$ 50,992</u>	<u>\$ 27,348</u>	<u>\$ 219,984</u>	<u>\$ 607,688</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, 2018.

5. AD VALOREM TAXES

For 2018, taxes of 6.02 mills were levied on property with assessed valuation of approximately \$15,600,000 and were dedicated for general purposes. Total ad valorem taxes collected during the year totaled \$101,155. 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, 2018:

	Balance, Beginning of Year	Additions	Deletions	Trans fers	Balance, End of Year
<u>Governmental Activities</u>					
Capital assets, not being depreciated:					
Construction in progress	\$ 1,174,482	\$ 498,524	\$ -	\$ (1,671,756)	\$ 1,250
Property held for future use or sale	92,900	-	-	-	92,900
Land	123,967	-	-	-	123,967
Total capital assets, not being depreciated	1,391,349	498,524	-	(1,671,756)	218,117
Capital assets, being depreciated:					
Buildings	2,369,850	-	-	-	2,369,850
Improvements other than buildings	1,533,615	2,629	-	-	1,536,244
Autos and trucks	1,203,997	198,036	(124,919)	-	1,277,114
Machinery and equipment	829,713	31,858	(105,161)	-	756,410
Infrastructure	1,391,654	-	-	1,671,756	3,063,410
Total capital assets, being depreciated	7,328,829	232,523	(230,080)	1,671,756	9,003,028
Less accumulated depreciation for:					
Buildings	1,161,134	52,511	-	-	1,213,645
Improvements other than buildings	990,530	54,662	-	-	1,045,192
Autos and trucks	1,019,242	87,754	(121,381)	-	985,615
Machinery and equipment	608,608	70,243	(105,162)	-	573,689
Infrastructure	634,415	73,399	-	-	707,814
Total accumulated depreciation	4,413,929	338,569	(226,543)	-	4,525,955
Total capital assets, being depreciated, net	2,914,900	(106,046)	(3,537)	1,671,756	4,477,073
Governmental activities capital assets, net	\$ 4,306,249	\$ 392,478	\$ (3,537)	\$ -	\$ 4,695,190
<u>Business-type Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 164,383	\$ -	\$ -	\$ -	\$ 164,383
Construction in progress	16,359	209,596	-	-	225,955
Total capital assets, not being depreciated	180,742	209,596	-	-	390,338
Capital assets, being depreciated:					
Buildings	133,679	52,688	-	-	186,367
Improvements other than buildings	7,267,674	2,895	(76,562)	-	7,194,007
Gas distribution system	681,409	-	-	-	681,409
Sewer system	5,677,023	19,394	-	-	5,696,417
Autos and trucks	102,657	-	(27,300)	-	75,357
Machinery and equipment	249,266	13,451	(13,935)	-	248,782
Total capital assets, being depreciated	14,111,708	88,428	(117,797)	-	14,082,339
Less accumulated depreciation for:					
Buildings	47,616	9,583	-	-	57,199
Improvements other than buildings	4,150,792	374,562	(76,562)	-	4,448,792
Gas distribution system	613,853	8,540	-	-	622,393
Sewer system	2,616,173	189,215	-	-	2,805,388
Autos and trucks	98,798	2,315	(27,300)	-	73,813
Machinery and equipment	198,002	20,670	(13,935)	-	204,737
Total accumulated depreciation	7,725,234	604,885	(117,797)	-	8,212,322
Total capital assets, being depreciated, net	6,386,474	(516,457)	-	-	5,870,017
Business-type activities capital assets, net	\$ 6,567,216	\$ (306,861)	\$ -	\$ -	\$ 6,260,355

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	\$ 49,910
Public safety	158,402
Highways and streets	104,079
Culture and recreation	26,178
Total depreciation expense - governmental activities	\$ 338,569
Business-type activities:	
Gas	\$ 15,087
Sewer	198,366
Airpark	391,432
Total depreciation expense - business-type activities	\$ 604,885

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	\$ 431,125	\$ -	\$ (18,050)	\$ 413,075
Compensated absences	76,373	5,047	-	81,420
Net pension liability	1,122,487	74,979	-	1,197,466
	1,629,985	80,026	(18,050)	1,691,961
Business-type activities:				
Sewer bonds	947,075	-	(31,525)	915,550
Compensated absences	55,104	(815)	-	54,289
Net pension liability	781,755	-	(104,512)	677,243
	1,783,934	(815)	(136,037)	1,647,082
	\$ 3,413,919	\$ 79,211	\$ (154,087)	\$ 3,339,043

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

7. LONG-TERM DEBT (Continued)

Bonds and notes payable at September 30, 2018, 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.	\$ 413,075
\$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.	661,726
\$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.	253,824
	\$ 1,328,625

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 \$54,524 and \$18,623, respectively, and the reserve and contingency fund amounts for the sewer system bonds was \$82,338 and \$101,765, respectively, at September 30, 2018.

The annual requirements to amortize all bonds and notes outstanding as of September 30, 2018, are as follows:

Year ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	24,098	14,156	39,476	34,018
2024-2028	138,148	53,124	226,305	141,162
2029-2033	164,567	18,375	283,288	84,180
2034-2038	-	-	216,987	19,910
2039	-	-	8,185	94
	\$ 413,075	\$ 152,410	\$ 915,550	\$ 432,029

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 (2018 collections \$615,847) 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 (2018 collections \$615,605) 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 (2018 collections \$307,803) 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, 2018, amounts due to/from the various funds were:

<u>Creditor Fund</u>	<u>Debtor Fund</u>	<u>Amount</u>
General Fund	Sales Tax Fund	\$ 319,745
General Fund	Public Safety Fund	2,758
General Fund	Gas Fund	138,765
Public Safety Fund	Sales Tax Fund	23,562
Sales Tax Fund	Sewer Fund	23,449
Sewer Fund	Gas Fund	294,473
Sewer Fund	General Fund	159,913
Airpark Fund	Sales Tax Fund	4,107
Airpark Fund	General Fund	17,458
		<u>\$ 984,230</u>

The following is a summary of interfund transfers for the year ended September 30, 2018:

<u>Paying Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Gas Utility Fund	\$ 1,030
General Fund	Public Safety Fund	535,581
General Fund	Sales Tax Fund	40,077
Sales Tax Fund	Airpark Fund	2,525
Sales Tax Fund	Sewer Utility Fund	207
Gas Utility Fund	Sewer Utility Fund	207
Gas Utility Fund	Sales Tax Fund	25,210
Gas Utility Fund	Airpark Fund	80
Sewer Utility Fund	General Fund	14,257
Sewer Utility Fund	Public Safety Fund	3,904
Airpark Fund	Sewer Utility Fund	207
Airpark Fund	General Fund	15,877
		<u>\$ 639,162</u>

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, 2018, there were approximately 1,393 customers being served by the gas distribution system. The total amount of gas billed during the year was \$602,047, resulting in an average monthly bill of \$36.02 per customer. The gas rates being charged by the City at September 30, 2018, are as follows:

Residential

Net monthly rate:

Inside city limits - \$ 8.00 minimum charge

Outside city limits - \$ 10.00 minimum charge

\$ 0.79622 per 100 cubic feet gas used

Commercial

Net monthly rate:

\$ 10 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, 2018, the actual employer contribution rate was 24.75% for Plan A. For the year ended September 30, 2018, the actuarially determined employer contribution rate was 25.88% 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, 2018, was 24.75% 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 \$112,237 for the year ended September 30, 2018.

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, 2018, the City reported a liability of \$1,032,043 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The City's proportion of the Net Pension Liability was based on 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, 2018, the City's proportion was 0.249245%, which was a decrease of .008759 percentage points from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$136,809.

At September 30, 2018, 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>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (12,616)	\$ -	\$ (24,078)
Changes of assumptions	10,681	-	20,388	-
Net difference between projected and actual earnings on pension plan investments	54,372	-	103,782	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	(10,798)	-	(20,616)
Employer contributions subsequent to the measurement date	8,897	-	16,985	-
Total	\$ 73,950	\$ (23,414)	\$ 141,155	\$ (44,694)

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

11. RETIREMENT PLANS (Continued)

Deferred outflows of resources of \$25,882 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, 2019. 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>	
2019	\$ 64,444
2020	38,202
2021	13,949
2022	<u>4,520</u>
	<u>\$ 121,115</u>

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability of MERS as of June 30, 2018 are as follows:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Expected remaining service lives	3 years for Plan A

Actuarial assumptions:

Investment rate of return	7.275%, net of investment expense
Inflation rate	2.600%
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 7.275%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity 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 7.275%, 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, 2018:

	One Percentage Point Decrease 6.275%	Current Discount Rate 7.275%	One Percentage Point Increase 7.275%
Net Pension Liability	\$ 1,325,754	\$ 1,032,043	\$ 781,351

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. 11:2223.

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, 2018, total contributions due for employers and employees were 40.75%. 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 30.75% 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, 2018, and excluded from pension expense.

The City's contractually required contribution rate for the year ended September 30, 2018, was 30.75% 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 \$90,377 for the year ended September 30, 2018.

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, 2018, the City reported a liability of \$842,667 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The City's proportion of the Net Pension Liability was based on 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, 2018, the City's proportion was 0.099676%, which was an decrease of .001105 percentage points from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$137,478.

At September 30, 2018, 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	\$ 3,799	\$ (43,062)
Changes of assumptions	55,068	-
Net difference between projected and actual earnings on pension plan investments	40,396	-
Change in proportion and differences between employer contributions and proportionate share of contributions	34,993	(23,998)
Employer contributions subsequent to the measurement date	20,765	-
Total	\$ 155,021	\$ (67,060)

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

11. RETIREMENT PLANS (Continued)

Deferred outflows of resources of \$20,765 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, 2019. 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>		
2019	\$	52,044
2020		26,585
2021		(12,899)
2022		1,466
		1,466
	\$	67,196

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability of MPERS as of June 30, 2018 are as follows:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Expected remaining service lives	4 years
Actuarial assumptions:	
Investment rate of return	7.2%, net of investment expense
Inflation rate	2.600%
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 7.2%. 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 7.2%, 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, 2018:

	One Percentage Point Decrease 6.200%	Current Discount Rate 7.200%	One Percentage Point Increase 8.200%
Net Pension Liability	\$ 1,184,180	\$ 842,667	\$ 556,150

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
James Harris		1,350
Andrea Coleman		450
Judy Landry		1,800
Ronda Jacobs		1,800
Mark Peloquin		1,800
		\$ 9,000
		\$ 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	1,183
Outside city limits	\$10	63
Commercial:		
Small business	\$12	76
Convenience store and banks	\$20	16
Small RV park	\$24	1
Funeral home, bar, and washateria	\$30	6
Restaurants	\$40	11
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	4
Large apartment complex	\$384	1

16. SUBSEQUENT EVENTS

The City has evaluated its September 30, 2018 financial statements for subsequent events through March 27, 2019, 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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 268,000	\$ 286,500	\$ 286,833	\$ 333
Licenses and permits	241,400	310,400	312,124	1,724
Intergovernmental	16,000	16,000	18,902	2,902
Charges for services	265,000	285,000	285,899	899
Miscellaneous	7,000	7,000	6,245	(755)
Interest earned	1,510	13,510	14,526	1,016
Grants	365,000	420,000	417,951	(2,049)
Total revenues	<u>1,163,910</u>	<u>1,338,410</u>	<u>1,342,480</u>	<u>4,070</u>
EXPENDITURES				
Current:				
General government	303,350	294,850	239,327	55,523
Sanitation	250,000	250,000	246,080	3,920
Culture and recreation	21,000	21,000	56,584	(35,584)
Capital outlay	175,000	21,000	20,968	32
Debt Service:				
Principal	15,000	15,500	18,051	(2,551)
Interest	-	-	20,204	(20,204)
Total expenditures	<u>764,350</u>	<u>602,350</u>	<u>601,214</u>	<u>1,136</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	399,560	736,060	741,266	5,206
OTHER FINANCING SOURCES (USES)				
Operating transfers in	42,000	42,000	30,134	(11,866)
Operating transfers (out)	(627,020)	(660,720)	(576,688)	84,032
Total other financing sources (uses)	<u>(585,020)</u>	<u>(618,720)</u>	<u>(546,554)</u>	<u>72,166</u>
NET CHANGES IN FUND BALANCE	<u>(185,460)</u>	<u>117,340</u>	<u>194,712</u>	<u>77,372</u>
Beginning fund balance	<u>1,703,657</u>	<u>1,703,657</u>	<u>1,703,657</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 1,518,197</u>	<u>\$ 1,820,997</u>	<u>\$ 1,898,369</u>	<u>\$ 77,372</u>

See accompanying notes to required supplemental information.

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 280,000	\$ 307,000	\$ 307,803	\$ 803
Charges for services	82,000	85,000	85,094	94
Fines and forfeits	175,000	297,000	297,654	654
Interest earned	1,000	1,000	1,337	337
Grants	20,000	-	-	-
Total revenues	<u>558,000</u>	<u>690,000</u>	<u>691,888</u>	<u>1,888</u>
EXPENDITURES				
Current:				
Public safety	1,039,020	1,153,720	1,157,405	(3,685)
Capital outlay	<u>103,000</u>	<u>162,000</u>	<u>162,832</u>	<u>(832)</u>
Total expenditures	<u>1,142,020</u>	<u>1,315,720</u>	<u>1,320,237</u>	<u>(4,517)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(584,020)	(625,720)	(628,349)	(2,629)
OTHER FINANCING SOURCES (USES)				
Sales of fixed assets	-	17,000	17,395	395
Operating transfers in	<u>585,020</u>	<u>618,720</u>	<u>539,485</u>	<u>(79,235)</u>
Total other financing sources (uses)	<u>585,020</u>	<u>635,720</u>	<u>556,880</u>	<u>(78,840)</u>
NET CHANGES IN FUND BALANCE				
	1,000	10,000	(71,469)	(81,469)
Beginning fund balance	<u>256,517</u>	<u>256,517</u>	<u>256,517</u>	<u>-</u>
ENDING FUND BALANCE				
	<u>\$ 257,517</u>	<u>\$ 266,517</u>	<u>\$ 185,048</u>	<u>\$ (81,469)</u>

See accompanying notes to required supplemental information.

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 555,000	\$ 617,000	\$ 615,847	\$ (1,153)
Miscellaneous	1,000	16,000	14,795	(1,205)
Interest earned	1,500	1,500	3,288	1,788
Grants	1,115,000	294,000	294,763	763
Total revenues	<u>1,672,500</u>	<u>928,500</u>	<u>928,693</u>	<u>193</u>
EXPENDITURES				
Current:				
Highways and streets	513,300	432,000	430,929	1,071
Capital outlay	1,100,000	547,000	547,247	(247)
Total expenditures	<u>1,613,300</u>	<u>979,000</u>	<u>978,176</u>	<u>824</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	59,200	(50,500)	(49,483)	1,017
OTHER FINANCING SOURCES (USES)				
Sales of fixed assets	-	-	1,020	1,020
Operating transfers in	-	-	65,287	65,287
Operating transfers (out)	-	-	(2,732)	(2,732)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>63,575</u>	<u>63,575</u>
NET CHANGES IN FUND BALANCE				
	59,200	(50,500)	14,092	64,592
Beginning fund balance	<u>689,921</u>	<u>689,921</u>	<u>689,921</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 749,121</u>	<u>\$ 639,421</u>	<u>\$ 704,013</u>	<u>\$ 64,592</u>

See accompanying notes to required supplemental information.

CITY OF DEQUINCY
DeQuincy, Louisiana

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

Measurement Date	Employer's Proportion of NPL	Employer's Proportionate Share of NPL	Employer's Covered Payroll	Share of NPL as % of Covered Payroll	Plan % Funded
MERS:					
6/30/2018	0.249245%	1,032,043	455,188	226.73%	63.94%
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:					
6/30/2018	0.099676%	842,667	295,187	285.47%	71.89%
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%

See accompanying notes to required supplemental information.

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:					
6/30/2018	112,659	112,659	-	455,188	24.75%
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:					
6/30/2018	90,770	90,770	-	295,187	30.75%
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%

See accompanying notes to required supplemental information.

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, 2018. For MPERS, there were no changes in benefit terms for the year ended June 30, 2018.

Changes of Assumptions. For MERS, changes to benefit assumptions for the year ended June 30, 2018, included decreases in investment rate of return from 7.4% to 7.275% and in the inflation rate from 2.775% to 2.6%. For MPERS, changes to benefit assumptions for the year ended June 30, 2018, included decreases in investment rate of return from 7.325% to 7.2% and in the inflation rate from 2.7% to 2.6%.

*Other Supplemental
Information*

CITY OF DEQUINCY, LOUISIANA

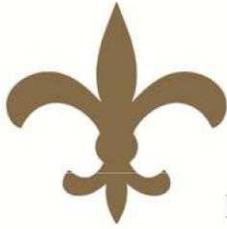
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

For the Year Ended September 30, 2018

Agency Head Name: Mayor Lawrence Henegan

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 30,420
Benefits-insurance	12,556
Benefits-retirement	7,625
Conference travel	529
Cell phone	742
	<u>\$ 51,872</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, 2018, which collectively comprise the City’s basic financial statements and have issued my report thereon dated March 27, 2019.

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 2018-1(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 2018-1(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 style.

DeQuincy, Louisiana
March 27, 2019

CITY OF DEQUINCY, LOUISIANA
DeQuincy, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended September 30, 2018

Section II – Financial Statement Findings

Internal Control:

Finding 2018-1(IC) – Purchase orders

Finding. During the course of auditing cash disbursements, it was noted that several purchases greater than \$150 used monthly blanket purchase orders.

Criteria. Good internal control dictate that purchases be authorized by a member of management prior to purchase. City policy requires a purchase order on all purchases over \$150.

Cause. Blanket purchase orders were used for certain local vendors where numerous purchases are made during the course of a month.

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 \$150 in accordance with City policy.

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

Compliance:

Finding 2018-1(C) – Compliance with Bid Law

Finding. During the course of auditing purchases, it was noted that there was a purchase of a police vehicle over \$10,000 which did not comply with bid law.

Criteria. All equipment purchases between \$10,000 and \$30,000 require at least three quotes.

Cause. The City was attempting to use the local vendor exception for state contract price. However, “local vendor” is defined as a business located within the jurisdiction (e.g., city limits) of the local government.

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, 2018

Internal Control:

Finding 2017-1(IC) – Purchase orders

See Finding 2018-1(IC)

Compliance:

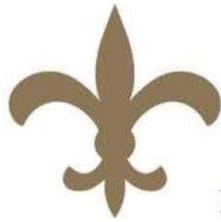
Finding 2017-1(C) – Compliance with Bid Law

See Finding 2018-1(C)

CITY OF DEQUINCY, LOUISIANA

**STATEWIDE AGREED-UPON
PROCEDURES REPORT**

For the Year Ended September 30, 2018



J. Aaron Cooper , CPA, LLC

P.O. Box 918 • 510 North Cutting Avenue • Jennings, Louisiana 70546

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, 2017 through September 30, 2018. The Entity's management is responsible for those control and compliance 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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - 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/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
 - 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/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 inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

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 for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

<p><i>There were no exceptions noted in the previous year during testing of bank reconciliations, therefore this section's procedures were not performed this year as per instruction from the Legislative Auditor.</i></p>

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collections, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

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. No exceptions were noted during testing.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe that disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Only one location processes disbursements. I downloaded a listing of all disbursements from the accounting systems and randomly selected five for testing (excluding credit card transactions). I noted two exceptions with regard to purchase orders.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

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

I obtained a listing of all credit cards and selected five for testing. For each card, I determined the month with the largest activity and performed the foregoing tests. No exceptions were noted.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

There were no exceptions noted in the previous year during testing of travel reimbursements, therefore this section's procedures were not performed this year as per instruction from the Legislative Auditor.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

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

<p><i>There were no exceptions noted in the previous year during testing of contracts, therefore this section's procedures were not performed this year as per instruction from the Legislative Auditor.</i></p>
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Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

There were no exceptions noted in the previous year during testing of payroll and personnel, therefore this section's procedures were not performed this year as per instruction from the Legislative Auditor.

Ethics (excluding nonprofits)

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

There were no exceptions noted in the previous year during testing of ethics, therefore this section's procedures were not performed this year per instruction from the Legislative Auditor.

Debt Service (excluding nonprofits)

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

No 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

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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 27, 2019