

CITY OF BOGALUSA, LOUISIANA

*Primary Government Basic Financial
Statements, Independent Auditor's Reports, and
Supplemental Information*

Year Ended December 31, 2018

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December 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Honorable Wendy O'Quin Perrette, Mayor
And the Members of the City Council
City of Bogalusa, Louisiana

Report on the 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 Bogalusa Louisiana (the City), as of and for the year ended December 31, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 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 opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the City's discretely presented component units as described in Note 1 to the financial statements. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effects of this departure from accounting principles generally accepted in the United States of America, on the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the City as of December 31, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bogalusa, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphases of Matters

As described in Note 10 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. This new standard requires the City to recognize and report its total other post-employment benefit liability, measured according to actuarial methods and approaches prescribed within the standard along with certain disclosures. My opinion is not modified with respect to this matter.

As described in Note 6 to the financial statements, the City reported a liability of \$2,135,946 that is due to the Choctaw Road Landfill which is a joint venture between the City and the Washington Parish Council. This liability continues to increase each year requiring the City to evaluate how to provide the funding necessary to pay this liability. My opinion is not modified with respect to this matter.

As described in Note 15 to the financial statements, the City's total net pension liability for governmental and business-type activities was approximately \$30.6 million at June 30, 2018, as determined by each of the four pension plans in which the City participates of which \$22.2 million of this net liability is from the City of Bogalusa Employee's Retirement System which is 16.03% funded requiring the City to evaluate how to provide additional funding. The related actuarial valuations that determined the net pension liabilities were performed by each of the pension systems' actuaries using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at December 31, 2018, could be under or overstated. My opinion is not modified with respect to these matters.

As described in Note 25 to the financial statements, subsequent to the year end, the City was placed under fiscal administration in accordance with Louisiana Revised Statute 39:1351. As such, a fiscal administrator was appointed by the Court who will have broad authority over the City's finances and investigate the financial situation of the City. The objective of this process is to make operational changes so that the long term fiscal stability of the City can be achieved. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in Total OPEB Liability and Related Ratios, the Schedule of the Proportionate Share of the Net Pension Liability for the Retirement Systems, the Schedule of Employers' Contributions to each Retirement System, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Single Employer Plan Contributions, the Budgetary Comparison Schedules, and the related notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic

financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bogalusa's basic financial statements as a whole. The information required by debt agreements, the Schedule of Compensation, Benefits and Other Payments to the Agency Head (compensation schedule), the combining, non-major fund financial statements, and the Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The compensation schedule is required by LA R.S. 24:513. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The combining non-major fund financial statements, the compensation schedule required by state law and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The information required by debt agreements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2019, on my consideration of the City of Bogalusa, Louisiana'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.



Bogalusa, Louisiana
June 30, 2019

**CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(UNAUDITED)

The Management Discussion and Analysis (MD&A) offers the readers of the City of Bogalusa's financial statements a narrative overview of the financial activities of the City of Bogalusa for the fiscal year ended December 31, 2018 and 2017. The City's financial performance is discussed and analyzed in correlation with the accompanying statements and disclosures following this section.

The reader is urged to continue on past the MD&A and review other important sections of this financial report, including footnotes, Required Supplemental Information (RSI), and other supplemental information.

FINANCIAL HIGHLIGHTS

- The assets of the City of Bogalusa exceeded its liabilities, deferred outflows and deferred inflows at the close of 2018 by \$15.37 million (total net position). Unrestricted net position is in a deficit position of \$32.91 million. This deficit position is the result of the City's non-capital related liabilities exceeding unrestricted assets. A major contributing factor to this unfavorable financial position is the balance of the City's net pension liability on the City's participation in various pension plans. Two accounting standards, GASB 68 and GASB 71, requires the proportionate share of the net pension liability for each cost sharing plan and the total City of Bogalusa Employees' Retirement System's net pension liability to be recorded on the City's financials. The total of this liability at December 31, 2018 is \$30.64 million
- During the year, expenses for governmental activities amounted to \$15.12 million. These expenses were paid from revenues of approximately \$15.72 million, consisting of \$10.18 million generated from taxes, \$1.13 million generated from other revenues for governmental programs, \$2.95 million generated from grants and contributions, and \$1.46 million generated from transfers from business-type activities.
- In the City's business-type activities, expenses amounted to approximately \$4.22 million. These expenses were paid from revenues of \$4.17 million for service charges and \$1.15 million for tax revenues and \$1.14 million in miscellaneous and grant income.
- At the close of the fiscal year, the City of Bogalusa's governmental funds reported combined ending fund balances of \$3.46 million, an increase of approximately \$.84 million. This combined fund balance is largely attributable to amounts accumulated in the Industrial Complex Sales Tax and several other dedicated tax funds. Most of these governmental fund balances, except that for the general fund, are restricted as to their use. Business-type funds reported \$10.53 million in total net position (including capital assets) for the close of the fiscal year, or a decrease of approximately \$.23 million.
- The general fund reported a fund balance of \$655,357 as of the end of the fiscal year. This is an increase of \$572,482 over the prior year fund balance of \$82,875. The increase in fund balance was due to an increase in revenue and other sources of \$1,111,066 offset by an increase in expenditures and other uses of \$614,036 which nets to an increase in change in fund balance of \$497,030. These increases in revenue were attributed to non-recurring events or sources.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(UNAUDITED)

Government-wide Statements

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by private-sector companies. The difference between the assets, deferred outflows, liabilities, and deferred inflows is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event that gives rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as balances of available resources that can be used to meet the City's ongoing obligations at the close of the year. Such information may be useful in evaluating the City's near-term financing requirements.

The City uses sixteen *governmental funds*. There are three major governmental funds, which have separately presented information in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The major funds are the General Fund, the Industrial Complex Sales Tax Fund, and the Landfill Fund. The thirteen non-major funds are presented in the aggregate in the governmental fund financial statements. Individual fund financial information is presented in the combining statements found in the Supplemental Information.

The City has one *proprietary type fund*. Proprietary type funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's proprietary type fund is considered to be an enterprise fund, since the costs of activities are paid for by the customer user fees. The enterprise fund accounts for its Utilities System operations, which provides water, sewer, and garbage services.

Fiduciary type fund statements provide financial information on funds for which the City acts as a trustee or agent for the benefit of others, such as the City of Bogalusa Employees' Retirement System.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information (Budgetary Comparison Schedules, and the Schedule of Changes in Total Other Post-Employment Benefit Liability and Related Ratios, Employee Contributions for the City of Bogalusa Employees' Retirement System and other Statewide cost sharing pension plan schedules and OPEB), as well as supplemental information presented in the form of combining statements of individual fund financial information, detailed Budgetary Comparison Schedules for the General Fund, Schedule of Insurance In-force, and Public Utility System Operations.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City reported combined net position at the end of fiscal year 2018 in the amount of \$15,370,038, an increase of \$374,555 when compared to the 2017 net position of \$14,995,483, as restated. The schedule of net position below indicates net position for both governmental activities and business-type activities, and combines them into total primary government columns.

Schedule of Net Position
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	Restated				Restated	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 7.56	\$ 7.45	\$ 1.19	\$ 1.19	\$ 8.75	\$ 8.64
Capital assets	30.75	31.26	17.06	17.42	47.81	48.68
Total assets	38.31	38.71	18.25	18.61	56.56	57.32
Deferred outflows of resources	1.95	3.17	0.04	0.30	1.99	3.47
Long-term debt outstanding	29.17	30.58	7.08	7.47	36.25	38.05
Other liabilities	3.77	4.46	0.40	0.37	4.17	4.83
Total liabilities	32.94	35.04	7.48	7.84	40.42	42.88
Deferred inflows of resources	2.49	2.61	0.28	0.31	2.77	2.92
Net position						
Net investment in capital assets	29.91	29.83	14.08	13.84	43.99	43.67
Restricted	3.72	2.39	0.57	0.30	4.29	2.69
Unrestricted	(28.80)	(27.99)	(4.12)	(3.38)	(32.92)	(31.37)
Total net position	\$ 4.83	\$ 4.23	\$ 10.53	\$ 10.76	\$ 15.36	\$ 14.99

The largest portion of the City of Bogalusa's net position (286%) reflects net investment in capital assets (e.g. land, buildings, improvements, streets, bridges, equipment, vehicles, utility systems, and furniture and fixtures), less any related debt or deferred inflows used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Bogalusa's net position (17%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (-214%) represents a deficit that is a result of pension system debt and other liabilities exceeding assets available to pay those liabilities.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(UNAUDITED)

Changes in net position

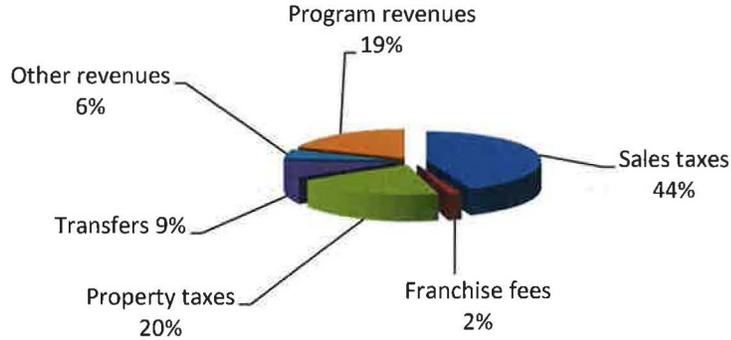
The City's total revenue and expenses for governmental and business-type activities are reflected in the following chart:

	Changes in Net Position (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1.13	\$ 1.01	\$ 4.17	\$ 3.94	\$ 5.30	\$ 4.95
Oper. grants & contrib.	0.90	1.01	-	-	0.90	1.01
Capital grants & contrib.	0.93	1.87	0.06	-	0.99	1.87
General revenues:						
Property and other taxes	3.30	3.36	0.21	0.20	3.51	3.56
Sales taxes	6.88	6.40	0.94	0.87	7.82	7.27
Franchise fees	0.31	0.29	-	-	0.31	0.29
Unrestricted interest	-	0.02	0.02	0.02	0.02	0.04
Miscellaneous	0.82	0.23	0.05	0.08	0.87	0.31
Transfers	1.46	0.98	(1.46)	(0.98)	-	-
Total revenues	<u>15.73</u>	<u>15.17</u>	<u>3.99</u>	<u>4.13</u>	<u>19.72</u>	<u>19.30</u>
Expenses:						
General government	4.12	3.94	-	-	4.12	3.94
Public safety	6.22	6.34	-	-	6.22	6.34
Public works	2.82	2.88	-	-	2.82	2.88
Landfill	0.40	0.62	-	-	0.40	0.62
Culture & recreation	0.37	0.40	-	-	0.37	0.40
Economic development	0.64	0.70	-	-	0.64	0.70
Airport	0.51	0.49	-	-	0.51	0.49
Interest and costs on long term debt	0.04	0.05	-	-	0.04	0.05
Water, sewer, & garbage	-	-	4.22	3.91	4.22	3.91
Total expenses	<u>\$ 15.12</u>	<u>\$ 15.42</u>	<u>\$ 4.22</u>	<u>\$ 3.91</u>	<u>\$ 19.34</u>	<u>\$ 19.33</u>
Change in net position	0.61	(0.25)	(0.23)	0.22	0.38	(0.03)
Net position, beginning	4.23	4.61	10.76	10.54	14.99	15.15
Cummulative effect of change in accounting principle - GASB 75	-	(0.13)	-	-	-	(0.13)
Net position, ending	<u>\$ 4.84</u>	<u>\$ 4.23</u>	<u>\$ 10.53</u>	<u>\$ 10.76</u>	<u>\$ 15.37</u>	<u>\$ 14.99</u>

The City's net position within its governmental activities increased by \$607,043 because of revenues exceeding expenses for the year. Governmental revenue increased by \$543,694 as a result of increased sales taxes and a legal settlement of \$436,499. The City's grants and contributions decreased by approximately \$1,049,000 in the governmental activities due to less projects funded with federal grants. Expenses in the governmental activities decreased by approximately \$297,000 primarily as a result the net pension liability and associated deferrals. The City's ending net position within its business-type activities decreased by \$232,488. On a combined basis, the City's increase in net position, or net gain, was \$374,555.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(UNAUDITED)

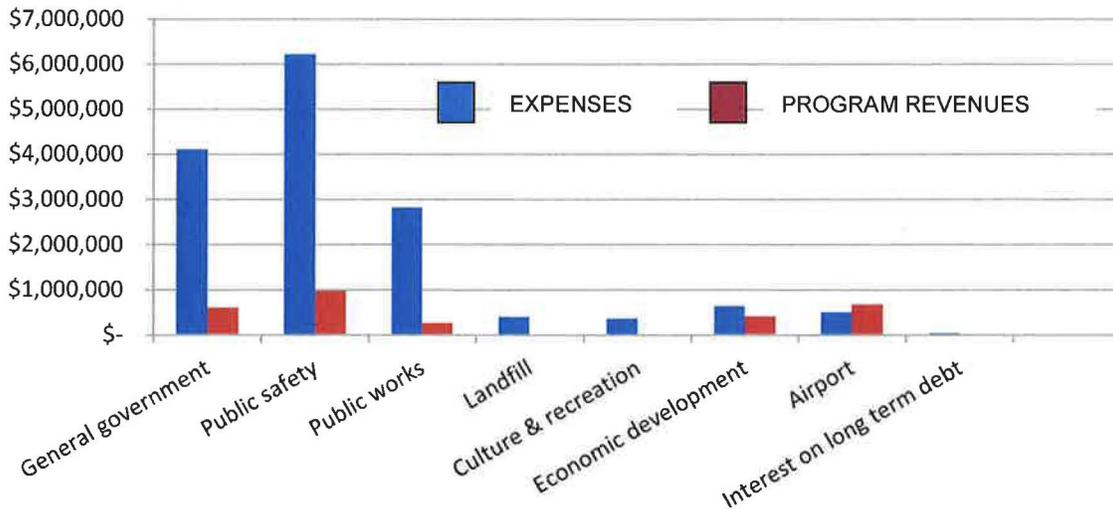
Revenues by Source - Governmental Activities



Revenues for the City's governmental activities for the year ended December 31, 2018 were \$15,724,580. Sales tax and property tax revenues are the largest components of revenues (64%). Sales taxes represent approximately 44% of recurring government activity revenue, exclusive of transfers in, and totaled \$6,875,172 for 2018, an increase of 7% when compared to 2017.

The cost of all governmental activities in 2018 was \$15,117,537, compared to \$15,414,903, in 2017, a decrease of 1.9% from the prior. These expenses were less than the above revenues for 2018.

Expenses and Program Revenues - Governmental Activities



The graph above shows the City's seven primary governmental activities in 2018, as well as long-term debt interest, compared to program-generated revenues covering those expenses. General revenues, such as taxes, cover the remaining costs.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(UNAUDITED)

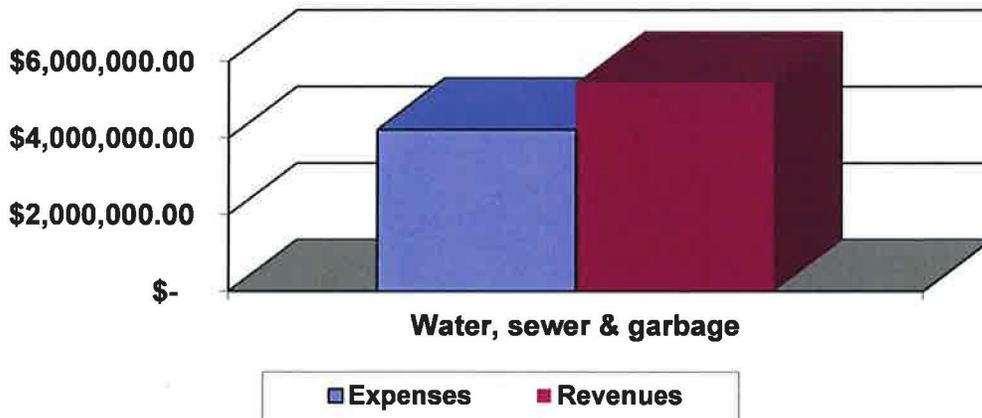
The following graph indicates business-type activities revenues by source:

Revenues by Source - Business-type Activities



Revenues for the City's business-type activities for the year ended December 31, 2018 were \$5,448,185. User fees are by far the largest source of revenue (76%) for the City's utility system and garbage collections. Sales tax revenue (17%) is largely dedicated to the payment of long-term debt incurred on the sewer system upgrade. The City's utility system business-type activities are related to water, sewer, and garbage collection activities.

Expenses and Revenues - Business-type Activities



The above graph reveals that the utility system fully supports itself. Of the revenues generated from the utility system, the City was able to net transfer \$1,462,525 from the business-type activities to subsidize the governmental activities.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(UNAUDITED)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended December 31, 2018, the City reported combined fund balances in *governmental funds* of approximately \$3.5 million, an increase of \$.84 million from 2017. The General Fund reported a fund balance of approximately \$655,000 at December 31, 2018, which represents an increase in the fund balance of approximately \$572,000 from 2017. The increase in fund is primarily due to an increase in one time revenues. The General Fund is the city's primary operating fund.

The largest fund balance (\$2.09 million) is reported in the Industrial Complex Sales Tax Fund. This fund experienced a \$0.34 million increase from 2017 largely due to decreases in capital outlay expenditures. The landfill and other governmental funds report aggregate fund balances of approximately \$0.72 million, a decrease of \$0.07 million over 2017. The balances within the Industrial Park Sales Tax Fund and the other governmental funds are, with minor exceptions, restricted as to use and cannot be used to fund general operations.

The Proprietary Fund (the Utility System) reported an increase in net position, resulting from expenses and transfers exceeding revenues by \$0.23 million. This bottom-line net loss for the System included \$.90 million of depreciation expense and net transfers out of \$1.5 million, and therefore, the utility system's net income before depreciation and transfers was \$2.20 million, a positive financial indicator.

General Fund Budgetary Highlights

During the fiscal year, the 2018 budget was revised to reflect an anticipated increase in revenues and an increase in expenditures. Actual results for 2018 showed revenues and transfers-in were greater than the final budget by \$243,259. Actual expenditures were \$79,653 less than budgeted.

The General Fund operated at a surplus (or net change in fund balance) of \$572,482 for 2018. When this operating surplus is added to the fund balance of \$82,875 at the beginning of the year, the resulting general fund balance resulted in a surplus at December 31, 2018 was \$655,357

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City had invested \$47.80 million (net of depreciation) in a broad range of capital assets, including police, fire, and public works equipment, buildings, park facilities and road, sewer and water system infrastructures. The following table represents capital assets at December 31, 2018, at cost less accumulated depreciation:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
COST						
Land	\$ 1,865,765	\$ 1,769,965	\$ -	\$ -	\$ 1,865,765	\$ 1,769,965
Buildings	21,393,529	20,407,542	10,376,689	9,320,468	31,770,218	29,728,010
Equipment	5,100,782	4,865,581	405,305	395,002	5,506,087	5,260,583
Infrastructure	32,375,162	29,741,235	14,030,046	13,890,387	46,405,208	43,631,622
Improvements	-	-	18,307,443	18,307,443	18,307,443	18,307,443
Other	-	2,745,491	-	664,531	-	3,410,022
	<u>\$ 60,735,238</u>	<u>\$ 59,529,814</u>	<u>\$ 43,119,483</u>	<u>\$ 42,577,831</u>	<u>\$ 103,854,721</u>	<u>\$ 102,107,645</u>

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(UNAUDITED)

ACCUMULATED DEPRECIATION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Buildings	\$ 11,844,786	\$ 11,297,780	\$ 8,449,976	\$ 8,325,098	\$ 20,294,762	\$ 19,622,878
Equipment	3,731,316	\$ 3,390,377	383,002	372,562	4,114,318	3,762,939
Infrastructure Improvements	14,404,541	\$ 13,580,037	10,615,033	10,375,828	25,019,574	23,955,865
	-	-	6,610,303	6,080,338	6,610,303	6,080,338
	<u>\$ 29,980,643</u>	<u>\$ 28,268,194</u>	<u>\$26,058,314</u>	<u>\$ 25,153,826</u>	<u>\$ 56,038,957</u>	<u>\$ 53,422,020</u>
Capital Assets, net	<u>\$ 30,754,595</u>	<u>\$ 31,261,620</u>	<u>\$17,061,169</u>	<u>\$ 17,424,005</u>	<u>\$ 47,815,764</u>	<u>\$ 48,685,625</u>

In *governmental activities* the City reported a \$507,025 decrease in net capital assets over 2018. The decrease is due to depreciation expense during 2018 exceeding capital cost of projects ongoing at the Airport and elsewhere. *Business-type activities* of the City reported a net decrease of \$362,836 in net capital assets compared to 2018, also as result of depreciation expense exceeding capital additions.

Long-Term Debt

At the end of the fiscal year 2018, the City had \$29,169,273 in outstanding long term debt and other long-term liabilities, including notes and bonds payable, net pension liability, claims payable and accrued vacation and sick leave for its governmental activities. The outstanding notes and bonds payable are backed by the full faith and credit of the City of Bogalusa.

The City had \$7,077,309 outstanding in revenue bonds, certificates of indebtedness, net pension liability, claims payable, and compensated absences payable, in its business-type activities. The revenue bonds are backed solely by the revenue streams dedicated to payment of those bonds.

The net pension liability decreased by \$546,838 bringing the total net pension liability to \$30,644,141 as a result of contributions to the four retirement systems in which the City participates. This liability remains the most significant obligation of the City.

During the 2013 fiscal year, the City became obligated for asbestos remediation for condemned and demolished properties at an estimated cost of \$600,000. Approximately \$205,000 of the clean-up obligation has been satisfied as of December 31, 2018; however, approximately \$395,000 remains as a liability at December 31, 2018.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While the economic outlook looks stable for the nation as a whole for 2019, older and rural communities such as the City of Bogalusa face enormous challenges due to an aging and declining population and a stagnant tax base. In the midst of these challenges, the 2018 budget was prepared using reasonable estimates for revenues and anticipated expenditures. Sales taxes, the City's main revenue source, are expected to decline. Expenditures are expected to decrease due to implementation of cost cutting measures in an attempt to improve the City's financial condition.

In February 2019, the Louisiana Fiscal Review Committee voted to place the City under fiscal administration in accordance with Louisiana Revised Statute 39:1351. In May 2019, the Court appointed the City's fiscal administrator who was recommended by the Louisiana Legislative Auditor and Attorney General. The objective of the fiscal administration process is to make operational changes so that long term fiscal stability can be achieved.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, grantors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions concerning this report or need additional financial information, contact Stacy Smith at the City of Bogalusa's Administrative offices, located in City Hall at 202 Arkansas Avenue, Bogalusa, LA 70427.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 3,966,018	\$ 508	\$ 3,966,526
Property taxes receivable	790,492	50,542	841,034
Accounts receivable (net)	1,060,682	740,444	1,801,126
Internal Balances	178,665	(178,665)	-
Inventory	11,595	-	11,595
Prepaid expenses	350	-	350
Restricted assets:			
Cash and cash equivalents	-	572,594	572,594
Investment in joint venture - Choctaw Landfill	1,551,189	-	1,551,189
Capital assets:			
Land and construction in progress	1,865,765	-	1,865,765
Depreciable capital assets, net	28,888,830	17,061,169	45,949,999
TOTAL ASSETS	38,313,586	18,246,592	56,560,178
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred pension contributions	778,251	36,935	815,186
Deferred amounts related to net pension liability	1,174,098	-	1,174,098
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,952,349	36,935	1,989,284
<u>LIABILITIES:</u>			
Accounts payable	554,552	190,421	744,973
Accrued expenses	125,216	207,261	332,477
Other payables	2,135,946	-	2,135,946
Certificates of indebtedness	950,000	-	950,000
Long-term liabilities:			
Due within one year	200,000	501,000	701,000
Due beyond one year	1,984,387	2,572,250	4,556,637
Total other post-employment benefit (OPEB) liability	344,804	-	344,804
Net pension liability	26,640,082	4,004,059	30,644,141
TOTAL LIABILITIES	32,934,987	7,474,991	40,409,978
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred amounts related to net pension liability	2,462,982	276,720	2,739,702
Deferred amounts related to total OPEB liability	29,744	-	29,744
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,492,726	276,720	2,769,446
<u>NET POSITION:</u>			
Net investment in capital assets	29,912,595	14,081,169	43,993,764
Restricted for:			
Debt service	288,457	572,594	861,051
Industrial Complex	2,086,137	-	2,086,137
Capital projects	341,437	-	341,437
Maintenance	336,193	-	336,193
Special programs	665,502	-	665,502
Unrestricted	(28,792,099)	(4,121,947)	(32,914,046)
TOTAL NET POSITION	\$ 4,838,222	\$ 10,531,816	\$ 15,370,038

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Primary Government					
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Fees, Fines, and Contributions	Governmental Activities	Business-type Activities	Total
Function/Programs						
Primary Government						
Governmental:						
General government	\$ 4,117,661	\$ 489,513	\$ 118,551	\$ (3,509,597)	\$ -	\$ (3,509,597)
Public safety	6,219,424	254,480	725,092	(5,239,852)	-	(5,239,852)
Public works	2,823,090	-	266,712	(2,556,378)	-	(2,556,378)
Landfill	401,481	-	-	(401,481)	-	(401,481)
Culture and recreation	366,993	10,336	-	(356,657)	-	(356,657)
Economic development	641,127	369,777	44,659	(226,691)	-	(226,691)
Airport	505,749	2,750	679,689	176,690	-	176,690
Interest expense	42,012	-	-	(42,012)	-	(42,012)
Total governmental activities	<u>15,117,537</u>	<u>1,126,856</u>	<u>1,834,703</u>	<u>(12,155,978)</u>	<u>-</u>	<u>(12,155,978)</u>
Business-type:						
Enterprise - Utilities	4,218,148	4,165,873	63,580	-	11,305	11,305
Total business-type activities	<u>4,218,148</u>	<u>4,165,873</u>	<u>63,580</u>	<u>-</u>	<u>11,305</u>	<u>11,305</u>
Total primary government	<u>\$ 19,335,685</u>	<u>\$ 5,292,729</u>	<u>\$ 1,898,283</u>	<u>\$ (12,155,978)</u>	<u>\$ 11,305</u>	<u>\$ (12,144,673)</u>
General revenues:						
Property taxes				3,281,441	206,805	3,488,246
Sales taxes				6,875,172	938,414	7,813,586
Other taxes				18,817	-	18,817
Franchise fees				307,975	-	307,975
Interest income				2,819	20,135	22,954
Other				813,097	53,378	866,475
Gain (loss) on disposal of capital assets				1,175	-	1,175
Transfers (net)				1,462,525	(1,462,525)	-
Total general revenues				<u>12,763,021</u>	<u>(243,793)</u>	<u>12,519,228</u>
Change in net position				607,043	(232,488)	374,555
Net position, December 31, 2017, as restated				<u>4,231,179</u>	<u>10,764,304</u>	<u>14,995,483</u>
Net position, December 31, 2018				<u>\$ 4,838,222</u>	<u>\$ 10,531,816</u>	<u>\$ 15,370,038</u>

The accompanying notes are an integral part of this statement

FUND FINANCIAL STATEMENTS

CITY OF BOGALUSA, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>Special Revenue Funds</u>			<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Industrial Complex Sales Tax</u>	<u>Landfill Fund</u>		
ASSETS					
Cash and cash equivalents	\$ 1,074,954	\$ 1,777,255	\$ 292,924	\$ 820,885	\$ 3,966,018
Investments in joint venture	-	-	1,286,448	-	1,286,448
Property taxes receivable	518,636	-	93,805	178,051	790,492
Accounts receivable	570,470	63,649	-	426,563	1,060,682
Due from other funds	643,275	247,231	15,915	812,987	1,719,408
Prepaid expenses and other assets	-	-	-	350	350
Inventory of supplies	11,595	-	-	-	11,595
TOTAL ASSETS	2,818,930	2,088,135	1,689,092	2,238,836	8,834,993
DEFERRED OUTFLOWS OF RESOURCES					
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,818,930	\$ 2,088,135	\$ 1,689,092	\$ 2,238,836	\$ 8,834,993
LIABILITIES					
Accounts payable	\$ 278,262	\$ 1,998	\$ -	\$ 274,292	\$ 554,552
Accrued expenses	102,972	-	-	13,054	116,026
Certificates of indebtedness	950,000	-	-	-	950,000
Due to other funds	781,106	-	-	759,637	1,540,743
Due to other governments	-	-	2,135,946	-	2,135,946
TOTAL LIABILITIES	2,112,340	1,998	2,135,946	1,046,983	5,297,267
DEFERRED INFLOWS OF RESOURCES					
Resources recovered prior to time requirement	51,233	-	9,267	17,538	78,038
FUND BALANCES					
Non-spendable:					
Prepaid expenses and other	-	-	1,286,448	350	1,286,798
Inventory of supplies	11,595	-	-	-	11,595
Restricted for:					
Debt service	-	-	-	296,290	296,290
Capital projects	-	-	-	341,437	341,437
Maintenance	-	-	-	336,193	336,193
Special programs	334,051	2,086,137	-	331,451	2,751,639
Committed:					
Park	33,110	-	-	-	33,110
Police forfeitures	5,393	-	-	-	5,393
Unassigned	271,208	-	(1,742,569)	(131,406)	(1,602,767)
TOTAL FUND BALANCES (DEFICIT)	655,357	2,086,137	(456,121)	1,174,315	3,459,688
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 2,818,930	\$ 2,088,135	\$ 1,689,092	\$ 2,238,836	\$ 8,834,993

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Fund balances December 31, 2018 - governmental funds	\$	3,459,688
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Cost of capital assets at December 31, 2018	60,735,238	
Less: accumulated depreciation as of December 31, 2018	<u>(29,980,643)</u>	30,754,595
Property tax revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current period expenditures:		
		78,038
Equity interest in landfill joint venture not reported at fund level		264,741
Deferred outflows and inflows of resources are not available to pay current period expenditures and, therefore, are not reported in the governmental funds:		
Deferred outflows of resources - deferred pension contributions	778,251	
Deferred outflows of resources - related to net pension liability	<u>1,174,098</u>	1,952,349
Deferred inflows of resources - related to net pension liability	(2,462,982)	
Deferred inflows of resources - related to other post-employment benefits	<u>(29,744)</u>	(2,492,726)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund liabilities:		
Bonds payable		(590,000)
Certificate of Indebtedness payable		(252,000)
Accrued interest payable		(9,190)
Net pension liability payable		(26,640,082)
Compensated absences		(811,654)
Total other post-employment benefits (OPEB) liability		(344,804)
Claims and judgments payable		<u>(530,733)</u>
Total net position at December 31, 2018 - governmental activities	<u>\$</u>	<u>4,838,222</u>

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Special Revenue Funds</u>				Total Governmental Funds
	General	Industrial Complex Sales Tax	Landfill Fund	Other Non- Major Governmental Funds	
Revenues:					
Ad valorem taxes	\$ 2,190,104	\$ -	\$ 387,568	\$ 739,125	\$ 3,316,797
Sales taxes	3,402,032	586,801	-	2,886,339	6,875,172
Other taxes	18,817	-	-	-	18,817
Licenses and permits	392,543	-	-	-	392,543
Franchise fees	307,975	-	-	-	307,975
Intergovernmental	712,784	-	-	1,022,259	1,735,043
Charges for services	116,458	-	-	-	116,458
Fines	158,483	-	-	-	158,483
Interest	1,585	947	91	196	2,819
Rent	-	-	-	369,777	369,777
Miscellaneous	588,258	-	-	57,060	645,318
Total revenues	<u>7,889,039</u>	<u>587,748</u>	<u>387,659</u>	<u>5,074,756</u>	<u>13,939,202</u>
Expenditures:					
Current -					
General government	3,098,133	-	-	211,309	3,309,442
Public safety	5,383,630	-	-	887,498	6,271,128
Public works	1,578,945	-	-	525,837	2,104,782
Landfill	-	-	400,323	-	400,323
Culture and recreation	-	-	-	271,656	271,656
Economic development	-	177,616	-	104,909	282,525
Airport	103,359	-	-	28,251	131,610
Capital outlay	-	50,029	-	849,455	899,484
Intergovernmental	266,505	-	-	-	266,505
Debt Service -					
Capital lease payments	-	-	-	60,000	60,000
Bond principal	-	-	-	525,000	525,000
Bond interest	-	-	-	43,539	43,539
Cost of issuance	-	-	-	-	-
Total expenditures	<u>10,430,572</u>	<u>227,645</u>	<u>400,323</u>	<u>3,507,454</u>	<u>14,565,994</u>
Excess (deficiency) of revenues over expenditures	(2,541,533)	360,103	(12,664)	1,567,302	(626,792)
Other financing sources (uses):					
Proceeds from disposal of capital assets	1,175	-	-	-	1,175
Transfers to other funds	(74,000)	(25,000)	-	(1,917,106)	(2,016,106)
Transfers from other funds	3,186,840	-	-	291,791	3,478,631
Total other financing sources (uses)	<u>3,114,015</u>	<u>(25,000)</u>	<u>-</u>	<u>(1,625,315)</u>	<u>1,463,700</u>
Net change in fund balance	572,482	335,103	(12,664)	(58,013)	836,908
Fund balance (deficit), beginning	<u>82,875</u>	<u>1,751,034</u>	<u>(443,457)</u>	<u>1,232,328</u>	<u>2,622,780</u>
Fund balance (deficit), ending	<u>\$ 655,357</u>	<u>\$ 2,086,137</u>	<u>\$ (456,121)</u>	<u>\$ 1,174,315</u>	<u>\$ 3,459,688</u>

The accompanying notes are an integral part of this statement

CITY OF BOGALUSA, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - governmental funds \$ 836,908

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

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

Capital outlay and other capitalized purchases, adjustments and reclassifications	1,205,424	
Depreciation expense, including adjustments and reclassifications	<u>(1,712,449)</u>	(507,025)

Add accumulated depreciation on capital assets disposed	-	
Less cost basis of assets retired during the year	<u>-</u>	-

Change in deferral of revenues due to collection beyond 60 days (35,356)

Non-current expenses of landfill operations, net of proportioned revenue (1,158)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the premiums, discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Bond and certificate of indebtedness principal payments		585,000
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Other changes in long-term obligations:

Accrued interest payable	1,527	
Change in net pension liability GASB 68 and related deferrals	(320,997)	
Compensated absences	20,591	
Change in total other post-employment benefit liability and related deferrals	(9,933)	
Pollution remediation liability claims paid	52,000	
Claims and judgments payable	<u>(14,514)</u>	<u>(271,326)</u>

Change in net position of governmental activities \$ 607,043

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND
ENTERPRISE (UTILITIES) FUND
DECEMBER 31, 2018

ASSETS

Current assets

Cash and cash equivalents	\$ 508
Property taxes receivable	50,542
Accounts receivable (net)	740,444
Due from other funds	259,082
Total current assets	<u>1,050,576</u>

Restricted assets

Customers' deposits -	
Cash and cash equivalents	572,594
Total restricted assets	<u>572,594</u>

Capital assets

Construction in progress	-
Capital assets, cost	43,119,483
Less: accumulated depreciation	(26,058,314)
Total capital assets	<u>17,061,169</u>

TOTAL ASSETS

18,684,339

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension contributions	36,935
Deferred amounts related to net pension liability	-
	<u>36,935</u>

LIABILITIES

Current liabilities:

Accounts payable	190,421
Accrued interest expense	28,318
Accrued expenses	178,943
Other payables	-
Due to other funds	437,747
Long-term debt, current	501,000
Total current liabilities	<u>1,336,429</u>

Long-term liabilities:

Compensated absences	93,250
Net pension liability	4,004,059
Bonds payable	2,479,000
Total long-term liabilities	<u>6,576,309</u>

TOTAL LIABILITIES

7,912,738

DEFERRED INFLOWS OF RESOURCES

Deferred amounts related to net pension liability	<u>276,720</u>
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NET POSITION

Net investment in capital assets	14,081,169
Restricted for debt service	572,594
Unrestricted	(4,121,947)
TOTAL NET POSITION	<u>\$ 10,531,816</u>

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
ENTERPRISE (UTILITIES) FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATING REVENUES:

Charges for service -	
Water, sewer and garbage fees	\$ 4,165,873
Miscellaneous service revenues	53,378
Total operating revenues	<u>4,219,251</u>

OPERATING EXPENSES:

Salaries and wages	829,708
Employee benefits	491,335
Change in net pension liability	202,628
Utilities	216,359
Contractual services	747,960
Supplies and materials	453,361
Repairs	189,807
Gas and oil	27,647
Depreciation	904,488
Insurance and other	49,349
Total operating expenses	<u>4,112,642</u>

INCOME FROM OPERATIONS

106,609

NON-OPERATING REVENUES (EXPENSES):

Advalorem taxes	206,805
Sales taxes	938,414
Intergovernmental	63,580
Interest income	20,135
Interest expense	(105,506)
Total nonoperating revenues (expenses)	<u>1,123,428</u>

Net income before transfers

1,230,037

Transfers to other funds	(1,783,237)
Transfers from other funds	320,712

Total transfers

(1,462,525)

CHANGE IN NET POSITION

(232,488)

NET POSITION:

Balance, beginning of year	<u>10,764,304</u>
Balance, end of year	<u>\$ 10,531,816</u>

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
ENTERPRISE (UTILITIES) FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 4,254,369
Cash paid to suppliers	(1,653,731)
Cash paid to employees	(1,086,389)
Net cash provided by operating activities	<u>1,514,249</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Advalorem taxes	209,130
Sales taxes	936,686
Due to other funds (net change in)	265,550
Transfers from other funds	320,712
Transfers to other funds	(1,783,237)
Net cash used in non-capital financing activities	<u>(51,159)</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Intergovernmental grants (capital)	23,000
Principal payments on debt	(602,000)
Interest paid on debt	(111,976)
Acquisition of capital assets	(541,652)
Net cash used in capital financing activities	<u>(1,232,628)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>20,135</u>
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Net change in cash and cash equivalents	250,597
Cash and cash equivalents at beginning of year	<u>322,505</u>
Cash and cash equivalents at end of year	<u>\$ 573,102</u>

Reconciliation to the Statement of Net Position:

Cash and cash equivalents - current	\$ 508
Cash and cash equivalents - restricted	<u>572,594</u>
	<u>\$ 573,102</u>

(continued)

The accompanying notes are an integral part of these statements.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
ENTERPRISE (UTILITIES) FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

Page 2 of 2

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

Income from operations	\$	106,609
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense		904,488
Bad debt expense		232,067
Change in assets, deferred outflows, liabilities and deferred inflows:		
Receivables		(206,259)
Deferred outflows related to pensions		262,763
Accounts payable		30,752
Accrued expenses		9,310
Other payables		-
Compensated absences		5,639
Net pension liability		202,628
Deferred inflows related to pensions		(34,163)
Accrued salaries		415
Net cash provided by operating activities	\$	<u>1,514,249</u>

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF PLAN NET POSITION
CITY OF BOGALUSA EMPLOYEES' RETIREMENT SYSTEM
FIDUCIARY FUND
JUNE 30, 2018

ASSETS

Cash and cash equivalents		\$ 240,593
Receivables:		
Member contributions	21,599	
Employer contributions	37,470	
Accrued interest	14,950	
Miscellaneous receivable	<u>7,837</u>	81,856
Investments at fair market value:		
Fixed income assets	1,829,739	
Value equity assets	1,052,874	
Growth equity assets	<u>1,042,182</u>	
Total investments		<u>3,924,795</u>
TOTAL ASSETS		<u><u>4,247,244</u></u>

LIABILITIES

719

NET POSITION OF PENSION PLAN ASSETS

\$ 4,246,525

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CITY OF BOGALUSA EMPLOYEES' RETIREMENT SYSTEM
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

ADDITIONS

Contributions:	
Members	\$ 122,155
Employer	421,769
Total contributions	<u>543,924</u>
Investment income:	
Net increase in fair value of investments	122,323
Interest and dividends	104,438
	<u>226,761</u>
Less: investment fee expense	<u>(26,304)</u>
Net investment income	<u>200,457</u>
Total additions	<u>744,381</u>

DEDUCTIONS

Benefits	997,521
DROP withdrawals	114,881
Refunds of contributions	20,973
Administrative expenses	669
Other	747
Total deductions	<u>1,134,791</u>

DECREASE IN NET POSITION (390,410)

NET POSITION OF PENSION PLAN ASSETS:

Beginning of the year	<u>4,636,935</u>
End of the year	<u>\$ 4,246,525</u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE PRIMARY GOVERNMENT
FINANCIAL STATEMENTS**

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

INTRODUCTION

The City of Bogalusa, Louisiana (the City) was incorporated July 4, 1914, and is governed by the provisions of a home rule charter adopted October 22, 1977. The City operates under a "mayor-council" form of government which consists of an elected council representing the legislative branch of the government and an elected mayor heading the executive branch.

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

Governmental Accounting Standards Board (GASB) Statement No. 61 established criteria for determining which component units should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This includes the following criteria:

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

The City has chosen to issue financial statements of the primary government and only one component unit.

Component Unit Included

City of Bogalusa Employees' Retirement System (COBERS) – COBERS is a legally separate organization, but is fiscally dependent upon the City. It meets the definition of a component unit, and is blended into the basic financial statements as a Fiduciary Type Fund.

Component Units Omitted

City Court of Bogalusa (the Court) -The City Court of Bogalusa is a court of limited jurisdiction and serves Ward 4 of Washington Parish, Louisiana. Although the City Court Judge is an independently elected official, the Court is considered a component unit of the City because of fiscal dependence. The City provides the courtroom and office space for the Court. The City also pays salaries and retirement for the Court's administrative staff.

Constable of City Court of Bogalusa (the Constable) - The office of the Constable of City Court of Bogalusa was created by special legislative act R.S. 13:1952(5). The Constable is an elected official, and is responsible for executing the orders and mandates of the City Court of Bogalusa. The Constable is also fiscally dependent on the City and considered a component unit.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

INTRODUCTION (continued)

Christmas in the Park Commission (the Commission) – The Commission was created on November 1, 1995 by Ordinance No. 1588. The Commission is governed by an eleven-member board appointed by the Mayor, with approval of the City Council. The Commission advises the Mayor and the City Council, stimulates public interest and accepts donations to enhance holiday lighting and activities.

Bogalusa Community Arena Commission (the Commission) – The Bogalusa Community Arena Commission is governed by an eleven-member board appointed by the Mayor with approval of the Council. The Commission was established by Ordinance No. 1607 dated June 21, 1995 and amended on December 20, 1995 by Ordinance No. 1623.

Bogalusa Parks and Recreation Commission (the Commission) – The Bogalusa Parks and Recreation Commission is governed by a seventeen-member board appointed by the Mayor with the approval of the Council. The Commission was established by Ordinance No. 824 dated March 6, 1973.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Administrative Offices

City Court of Bogalusa
202 Arkansas Avenue
Bogalusa, LA 70427

Constable of City Court of Bogalusa
202 Arkansas Avenue
Bogalusa, LA 70427

Ms. Stacy Smith
Director of Administration
City of Bogalusa, Louisiana
Post Office Box 11 79
Bogalusa, LA 70429

Primary government officials may appoint some, or all, governing board members of organizations that are not included as component units in the primary government's reporting entity. These organizations are classified as (a) related organizations and (b) joint ventures, as follows:

Related Organizations

Housing Authority of Bogalusa - The Mayor, with confirmation of the City Council, appoints all five Commissioners of the Housing Authority of Bogalusa. However, no further contact or influence exists.

Washington Economic Development Foundation, Inc. - The Mayor appoints one member and the City Council appoints two members of the thirty-member Board of Directors of Washington Economic Development Foundation, Inc., which is a non-profit corporation exempt from federal income tax under Internal Revenue Code Section 501 (c)(3).

Joint Ventures

Choctaw Road Landfill (the Joint Venture) - The City is a participant with the Washington Parish Government (the Parish) in a joint venture to construct and operate the Choctaw Road Landfill, a solid waste disposal landfill. The Joint Venture was opened in July of 1989. The agreed upon percentages for sharing of construction costs, revenue and operating costs were 58.1% for the Parish and 41.9% for the City. The Parish's share of costs has been funded by a dedicated one percent sales tax in Washington Parish, excluding Ward 4. The City's share of costs has been funded by an ad valorem tax and the issuance of general obligation bonds. Complete financial statements for the Joint Venture can be obtained from the Washington Parish Government at the parish courthouse in Franklinton, LA.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Bogalusa have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private Sector Standards of Accounting issued on or prior to November 30, 1989 generally are followed in both the government wide financial statements and the proprietary fund type financial statements. The City has applied GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which eliminates the option for business-type activities to follow new FASB pronouncements, although they may continue to be applied as "other accounting literature."

A. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

B. Fund Financial Statements

Emphasis of fund financial reporting is on the major fund level in either the governmental or business-type categories. Major funds are presented alone in a separate column, while non-major funds are summarized into a single column in the basic financial statements.

The daily accounts and operations of the City are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund, both major and non-major, are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds of the primary government are grouped into generic fund types and broad fund categories as presented below, along with identification of major funds.

Governmental activities presented as governmental funds in the fund financial statements:

General Fund – The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those required to be accounted for in other funds. The General Fund is always a major fund.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Financial Statements (continued)

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or committed to expenditures for specified purposes. The two special revenue funds reported as major funds in the fund financial statements are as follows:

The Industrial Complex Sales Tax Fund accounts for the ¼-cent sales tax dedicated to improvement maintenance of the City's Industrial Park.

The Landfill Fund accounts for the receipt of a 5-mill ad valorem tax dedicated to constructing, acquiring, improving, maintaining and/or operating landfill facilities for the city, including acquisition of land therefore. This fund also accounts for the City's investment in operations of the Choctaw Road Landfill, a joint venture with the Washington Parish Government.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. There are no major debt service funds.

Capital Projects Fund – Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). There are no major capital projects funds.

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

The City reports the following major proprietary fund:

The Utilities Fund accounts for all financial resources of water system, sewer system, and garbage collection.

Additionally, the City reports the City of Bogalusa Employees' Retirement System (COBERS) as a fiduciary fund since the City acts in a fiduciary capacity for the benefit of the employees. Assets held in this fund are segregated from the City's general operating assets and are not subject to the claims of general creditors.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

COBERS is a single-employer pension plan that covers most permanent City employees except policemen and firemen. The COBERS's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period, while intergovernmental (grant) revenues are considered available if received within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the City's investment policy allow the City to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. The City has no investments.

The City of Bogalusa Employees Retirement System's (COBERS) cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the COBERS investment policy allow the COBERS to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds investing in debt and equity securities, as well as direct equity investments all within limitations for each type of investment.

E. Activity Between Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

F. Summary of Authorized Ad Valorem and Sales Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City in September or October and are actually billed to the taxpayer in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Summary of Authorized Ad Valorem and Sales Taxes (continued)

The City bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Washington Parish. When the City receives the tax roll, a receivable is set up and revenue is recognized based on the assessed values to the extent available.

Sales taxes are recognized as revenue in the month of the underlying sale transaction. The Washington Parish Sheriff is authorized to collect and remit this tax to the City.

The following is a summary of authorized and levied ad valorem taxes.

Fund Type	Purpose	Authorized Mills	Levied Mills	Expiration Date
General	General purpose	10.91	10.91	Indefinite
General	Maintenance, equipment, operations and salaries of municipal employees	3.62	3.62	2027
General	Fire department maintenance	2.71	2.71	2027
General	Maintenance and operation of municipal services	2.73	2.73	2019
General	Retirement for police department, fire department, and general city employees	7.84	7.84	2019
General	City of Bogalusa Employees' Retirement System	2.75	2.75	2025
Debt Service	Street Improvement Bonds	2.75	2.75	Indefinite
Special Revenue	Parks and Recreation Facilities	2.01	2.01	2019
Special Revenue	Municipal Buildings	2.01	2.01	2019
Special Revenue	Landfill	5.03	5.03	2021
Enterprise	Sewer and water works	2.71	2.71	2027
	Total	45.07	45.07	

The following is a summary of authorized sales taxes.

Fund Type	Purpose	Percent	Expiration Date
Special Revenue	Street and drainage maintenance	0.25	05/31/27
Special Revenue	Capital improvements	0.15	05/31/27
Enterprise	Water and sewer maintenance	0.15	05/31/27
General	General operations	0.45	05/31/27
Special Revenue	Industrial complex maintenance ¹	0.25	Indefinite
Special Revenue	Employee salaries and benefits	0.50	Indefinite
Special Revenue	Jail operations	0.33	Indefinite
General	General operations ²	1.00	Indefinite
Enterprise	Wastewater system improvement	0.25	02/01/23
	Total	3.33	

¹ Beginning on January 1, 2019, 50% of the .25% tax is dedicated to paying retirement and benefits of the City of Bogalusa Employees' Retirement System

² Beginning on January 1, 2019 through 2039, 12.5% of this 1% tax is dedicated to paying retirement and pension benefits of the City of Bogalusa Employees' Retirement System

G. Inventories and Prepaid Expenses

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Restricted Assets

Certain funds of governmental activities, capital lease proceeds, and enterprise fund revenue bonds, as well as certain resources set aside for bond repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, sewer infrastructure, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	20-40 years
Buildings and building improvements	25-40 years
Furniture and fixtures	5-10 years
Vehicles	5 years
Equipment	5-10 years

J. Compensated Absences

Vacation and sick leave in each department is governed by a different union contract and in the case of fire and police, civil service and other state laws.

Public Works Department and Finance Department/General Government:

Vacation time is required to be taken in the year it is earned, except with permission from the appropriate department head. The union contract calls for payment for unused vacation at the end of the year. The City's practice is to pay an employee for up to 90 days at separation. The City allows an employee to bank more vacation time than he/she will be paid for in the event he needs to use it for an emergency.

Sick leave is earned at a rate of 2 days a month and is cumulative up to 260 days. An employee can be paid for up to 20 days of sick leave at separation. The days earned, but not taken, up to 260 days are kept on the books until an employee separates.

Comp time or bank time is earned at 1.5 times the hours actually worked at an overtime rate. The City's practice is to pay an employee for up to 90 days at separation. The City allows an employee to bank more vacation time than he/she will be paid for in the event he needs to use it for an emergency.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Compensated Absences (continued)

Fire Department and Police Department:

Vacation time is required to be taken in the year it is earned, except with permission from the appropriate chief. The City's practice is to pay an employee for up to 90 days at separation, yet the city allows an employee to bank more vacation in the event he or she needs to use it for an emergency.

Comp time or bank time is earned at 1.5 times the hours actually worked at an overtime rate. Currently, bank time is unlimited.

GASB Statement No. 16 *Accounting for Compensated Absences* requires governments to accrue compensated absences only to the extent it is probable that the employer will compensate employees for benefits through cash payments conditioned on the employees' termination or retirement. The City has recorded the following liabilities as of December 31, 2018 for certain salary-related benefits associated with the payment of compensated absences:

1. Accrued and unused vacation for each employee valued at the employees' current rate of pay.
2. Accrued and unused sick leave up to the maximum to be paid upon termination.
3. A total of 100% of the compensatory leave for each employee valued at the employees' current rate of pay.

In the government-wide financial statements and the propriety fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. In accordance with GASB Interpretation No.6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, (issued in March of 2000), no compensated absences liability is recorded at December 31, 2018, in the governmental fund financial statements. The liquidation of the compensated absence liabilities will be paid proportional to funds in which the compensation was paid.

K. Fund Balance

The City reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides definitions of fund balance categories that are designed to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantor, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Fund Balance (continued)

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority by a vote of the City Council; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governmental body delegates the authority such as the City’s management;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

L. Accounts Receivable

Accounts receivable are reported net of an allowance for uncollectables. The more significant accounts receivable are recorded for amounts due from governments in the governmental activities and funds, and for customers’ accounts in the business-type activities and the utility fund. Customer Utility accounts are estimated to be uncollectable upon coming sixty days past due. Amounts due from governments are estimated to be uncollectable based upon the facts and circumstances of the grant agreement or funding source.

M. Net Position

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period.

Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets title is now referred to as the statement of net position. The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components—net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of borrowings for capital asset acquisition, construction, or improvement of those assets, increased by deferred outflows of resources attributable to capital asset acquisition, construction or improvement, and deferred inflows of resources attributable to either capital asset acquisition, construction, or improvement or to capital asset related debt. Capital-related debt or deferred inflows equal to unspent capital asset related debt proceeds or deferred inflows of resources is included in calculating either restricted or unrestricted net position, depending upon whether the unspent amounts are restricted.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position (continued)

Restricted net position reflects net position when there are limitations imposed on a net position's use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted net position consists of restricted assets less liabilities related to restricted assets less deferred inflows related to restricted assets. Liabilities and deferred inflows related to restricted assets include liabilities and deferred inflows to be liquidated with restricted assets and arising from the same resource flow that results in restricted assets. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted net position is the balance (deficit) of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

O. Current Year Adoption of New Accounting Standard and Restatement of Net Position

The City adopted Government Accounting Standards Board (GASB) Statement Number 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The net effect to the City's Statement of Net Position for the prior year that resulted from the adoption of GASB 75 is as follows:

	Governmental Activities
Total Net Position, December 31, 2017 as previously reported	\$ 4,363,194
Reverse post-employment benefit obligation December 31, 2017	232,600
Record total post-employment benefit liability December 31, 2017	(364,615)
Net effect	(132,015)
Total Net Position, December 31, 2017, Restated	\$ 4,231,179

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- a. The Mayor submits to the council a proposed operating budget at least forty-five days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and total anticipated revenues.
- b. At the meeting of the council at which the operating budget is submitted, the council orders a public hearing on it.
- c. At least ten days prior to the date of such hearing, the council publishes in the official journal a general summary of the proposed budget.
- d. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is legally enacted through passage of an ordinance, no later than the twenty-seventh day of the last month of the calendar year.
- e. Budgetary amendments involving the transfer of funds from one department, office, or agency to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the adoption of an ordinance by the Council.
- f. Every appropriation, except an appropriation for a capital expenditure, lapses at the close of the fiscal year to the extent that it has not been expended.
- g. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended from time to time by the City Council.

3. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS

A. City of Bogalusa

At December 31, 2018, the City had cash (book balances) totaling \$4,539,120 consisting primarily of demand deposit accounts at local banks. These deposits were stated at cost, which approximates market. Under state law, these deposits (or the 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.

Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures" requires disclosure of custodial credit risk for bank deposits. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned. Under the state law, all deposits are required to be secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the City of Bogalusa's name. At December 31, 2018, the City's bank balances amounted to \$5,348,548. Of the bank balances, \$250,000 was covered by federal depository insurance and \$4,379,235 was protected against custodial credit risk by collateral held by the pledging banks' trust department or agent in the City's name at December 31, 2018.

The City's bank accounts were exposed to custodial credit risk of \$719,313 that represents the amount on deposit that exceeded the federal depository insurance and with no collateral pledged as of December 31, 2018 in accordance with Louisiana Revised Statute 39:1224.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

3. **DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS** (continued)

B. City of Bogalusa Employees' Retirement System (COBERS)

Cash and Cash Equivalents:

At June 30, 2018, cash and cash equivalents consisted of \$106,268 invested in short-term money market mutual funds and \$134,325 in a commercial checking account. The commercial checking account is insured by the Federal Deposit Insurance Corporation up to \$250,000, while the money market funds are not subject to custodial credit risk.

Investments:

In accordance with LRS 11:263, the System is authorized to invest under the Prudent-Person Rule. The Prudent-Person Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Person Rule, the System's investment policy allows for fifty percent of the total portfolio to be invested in equity securities and fifty percent to be invested in fixed income securities consisting of U.S. Government and U.S. corporation bonds and notes. Rebalancing occurs when the investment weight of the categories varies by five percent or more.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy states that no more than 5 percent of the total stock portfolio value at market may be invested in the common stock of an organization.

In addition, with respect to fixed income securities, exposure to any economic sector shall not exceed greater of 30% of the portfolio at market value and investments in one issuer shall not exceed 5% of the fixed income portfolio's market value unless otherwise authorized by the Board. Investments in Federal Home Loan Bank, two corporate bonds, one mutual fund, and one municipal bond represent a concentration greater than 5.5% of total investments as of June 30, 2018. The issuer's percentages of total fixed income were 5.6%, 11.6%, 6.8%, and 5.9% respectively at December 31, 2018.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. City of Bogalusa Employees' Retirement System (COBERS) (continued)

Credit Risk:

Credit risk is defined as the risk that an issuer or other counter party to an investment will not fulfill its obligations. The following are credit risk ratings of the System's investments in long-term debt securities as of June 30, 2018.

Below is a schedule of debt securities owned with their applicable ratings:

Rating	Corporate Bonds	Federal Home Loan Mortgage Corp.	Federal National Mortgage Association	Foreign BDS NTS and Debenture	Government National Mortgage Association	Municipal Obligations	U.S. Treasury Notes	Mutual Fund	Total
A1	\$ 52,447	\$ -	\$ -	\$ 100,155	\$ -	\$ -	\$ -	\$ -	\$ 152,602
A2	-	-	-	-	-	196,172	-	-	196,172
A3	-	-	-	-	-	-	-	-	-
Aa1	48,825	-	-	-	-	-	-	-	48,825
Aa2	89,351	-	-	-	-	69,247	-	125,000	283,598
Aa3	75,274	-	-	-	-	-	-	-	75,274
AGY	-	-	-	-	-	74,377	-	-	74,377
Aaa	-	104,976	338,299	-	19,714	-	-	-	462,989
Baa1	212,066	-	-	-	-	-	-	-	212,066
Baa2	101,939	-	-	-	-	-	-	-	101,939
Baa3	98,398	-	-	-	-	-	-	-	98,398
TSY	-	-	-	-	-	-	123,499	-	123,499
	<u>\$ 678,300</u>	<u>\$ 104,976</u>	<u>\$ 338,299</u>	<u>\$ 100,155</u>	<u>\$ 19,714</u>	<u>\$ 339,796</u>	<u>\$ 123,499</u>	<u>\$ 125,000</u>	<u>\$ 1,829,739</u>

The System's investment policy limits its investments to corporate debt issues rated equivalent of B or better by Standard & Poor's or B2 by Moody's Investor Services. If securities fall to a CCC rating, they are to be eliminated in a timely manner.

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.92%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Custodial Credit Risk:

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Retirement System, and are held by either the counterparty or the counterparty's trust department or agent, but not in the System's name. The System was not exposed to custodial credit risk as of June 30, 2018. However, the System does not have a policy regarding custodial credit risk.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. City of Bogalusa Employees' Retirement System (COBERS) (continued)

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates in the general market will adversely affect the fair value of an investment. The holding period of an investment security can be an indicator of interest rate risk exposure. As of June 30, 2018, the System had the following investments in long-term debt securities and maturities:

	Fair Value	Less Than 1			Greater Than
		Year	1-5 Years	6-10 Years	10 Years
Corporate Bonds	\$ 678,300	\$ -	\$ 305,071	\$ 213,450	\$ 159,779
Federal National Mortgage Association	338,299	54,370	102,405	2,057	179,467
Government National Mortgage Association	19,714	-	6,973	11,286	1,455
Federal Home Loan Mortgage Corp.	104,976	-	104,976	-	-
Municipal Obligations	339,796	-	232,095	107,701	-
Foreign BDS NTS and Debenture	100,155	100,155	-	-	-
U.S Treasury Notes	123,499	99,094	-	24,405	-
Mutual Funds - Fixed Income	125,000	125,000	-	-	-
	<u>\$ 1,829,739</u>	<u>\$ 378,619</u>	<u>\$ 751,520</u>	<u>\$ 358,899</u>	<u>\$ 340,701</u>

The System has no formal policy regarding interest rate risk.

The System may invest in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. The holding periods for the collateralized mortgage obligations above are based on maturity dates of the securities.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. City of Bogalusa Employees' Retirement System (COBERS) (continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are for significant other observable inputs; Level 3 inputs are significant unobservable inputs. A summary of the COBERS's investments along with the fair value hierarchy levels of each type of investment are as follows:

	6/30/2018	Fair Value Measurements Using	
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)
Fixed Income Assets			
Corporate Bonds	\$ 678,300	\$ -	\$ 678,300
Federal National Mortgage Association	338,299	104,463	233,836
Government National Mortgage Association	19,714	-	19,714
Federal Home Loan Mortgage Corp.	104,976	-	104,976
Municipal Obligations	339,796	-	339,796
Foreign BDS NTS and Debenture	100,155	-	100,155
U.S Treasury Notes	123,499	123,499	-
Mutual Funds - Fixed Income	125,000	125,000	-
Total Fixed Income Assets	1,829,739	352,962	1,476,777
Equity Investments			
Value Equity	1,052,874	1,052,874	-
Growth Equity	1,042,182	1,042,182	-
Total Value Equity Investments	2,095,056	2,095,056	-
Total Investments at Fair Value Level	\$ 3,924,795	\$ 2,448,018	\$ 1,476,777

Level 2 inputs are valued using a market based approach comprised of a combination of directly observable quoted prices and a matrix pricing technique that relies on the securities' relationship to other benchmark quoted prices.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends, period aging and prior write-offs of similar accounts receivable, receivables balances, and sales and franchise tax collections.

Accounts receivable at December 31, 2018 were as follows:

<u>Governmental Activities:</u>	<u>Sales Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 364,952	\$ -	\$ 205,518	\$ 570,470
Industrial Complex Sales Tax	63,649	-	-	63,649
Non-Major Governmental Funds	313,338	111,725	1,500	426,563
Total	<u>\$ 741,939</u>	<u>\$ 111,725</u>	<u>\$ 207,018</u>	<u>\$ 1,060,682</u>
		Customer Utility		
<u>Business-type Activities:</u>	<u>Sales Taxes</u>	<u>Accounts</u>	<u>Other</u>	<u>Total</u>
Operating Fund	\$ 101,089	\$ 1,972,559	\$ 87,728	\$ 2,161,376
Allowance for Uncollectible Accounts	-	(1,420,932)	-	(1,420,932)
Total	<u>\$ 101,089</u>	<u>\$ 551,627</u>	<u>\$ 87,728</u>	<u>\$ 740,444</u>

5. CASH RESTRICTED UNDER DEBT AGREEMENTS

At December 31, 2018, the City held restricted cash required by bond covenants pertaining to the \$2,670,000 Revenue Refunding Bonds 2012, \$1,000,000 Water Revenue Bonds 2009A and \$3,000,000 Water Revenue Bonds 2009B as follows:

Wastewater Improvement Sales Tax	\$ 107
Sewer Sales Tax Bond Reserve Account	234,445
Water Revenue Bond Reserve Account	147,479
Water Revenue Bond Sinking Account	90,095
Water Revenue Bond Contingency Account	<u>100,468</u>
Total business-type activities restricted cash	<u>\$ 572,594</u>

The City is required by its Loan and Pledge Agreement with the Louisiana Department of Health and Hospitals pursuant to the issuance of the 2009A and B bonds (see note 13) to make monthly deposits into its water revenue bond and sinking fund cash accounts. Additionally, the Water Revenue Bond Reserve Account and the Water Revenue Contingency Accounts are required to maintain minimum balances. As of December 31, 2018, the City fully funded the Water Revenue Bond Sinking Account and maintained the required minimum balance.

On July 31, 2012, the City issued Revenue Refunding Bonds, Series 2012, in the amount of \$2,670,000. The City is required to make monthly deposits into its sinking fund cash account. As of December 31, 2018, the City created a sinking fund cash account and therefore, made the monthly required deposits.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

6. NET INVESTMENT IN CHOCTAW ROAD LANDFILL

In 1985, the City and the Washington Parish Council entered into a verbal agreement and in 1998 formalized in writing for the construction and operation in a joint venture named Choctaw Road Landfill with the City's equity of 41.9% and the Parish's equity of 58.1%. These percentages represent the proportion that each the City and the Parish share of construction costs, revenues, and operating costs. The City's investment in Choctaw Road Landfill, a joint venture, is presented in the government-wide financial statements as follows:

Current financial resources (current assets less current liabilities) presented in the Fund Financial Statements	\$1,286,448
Other economic resources (net capital assets less landfill closure and post closure care costs)	<u>264,741</u>
Net investment in joint venture	<u>\$1,551,189</u>

A liability of \$2,135,946 is recorded as other payable in the Governmental Statement of Activities and in the landfill fund; all of which is in arrears at December 31, 2018.

The City recognized expense of \$401,481 in the Governmental Statement of Activities representing the City's share of the net costs of operating the landfill.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

7. CAPITAL ASSETS

A. Governmental Activities

The following is a summary of the changes in capital assets for the year ended December 31, 2018:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
<u>Cost</u>				
<u>Not being depreciated</u>				
Land	\$ 1,769,965	\$ 95,800	\$ -	\$ 1,865,765
Construction in progress	2,745,491	693,400	(3,438,891)	-
	<u>4,515,456</u>	<u>789,200</u>	<u>(3,438,891)</u>	<u>1,865,765</u>
<u>Being depreciated</u>				
Buildings	20,407,542	985,987	-	21,393,529
Infrastructure	29,741,235	2,633,927	-	32,375,162
Furniture and equipment	4,865,581	235,201	-	5,100,782
	<u>55,014,358</u>	<u>3,855,115</u>	<u>-</u>	<u>58,869,473</u>
<u>Less: accumulated depreciation</u>				
Buildings	(11,297,780)	(547,006)	-	(11,844,786)
Infrastructure	(13,580,037)	(824,504)	-	(14,404,541)
Furniture and equipment	(3,390,377)	(340,939)	-	(3,731,316)
	<u>(28,268,194)</u>	<u>(1,712,449)</u>	<u>-</u>	<u>(29,980,643)</u>
Net capital assets being depreciated	<u>26,746,164</u>	<u>2,142,666</u>	<u>-</u>	<u>28,888,830</u>
Total capital assets, net	\$ 31,261,620	\$ 2,931,866	\$ (3,438,891)	\$ 30,754,595

Depreciation expense for the year ended December 31, 2018 was charged to the following governmental functions:

General government	\$ 120,057
Public safety	146,278
Public works	600,975
Culture and recreation	118,630
Economic Development	358,602
Airport	367,907
	<u>\$ 1,712,449</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

7. **CAPITAL ASSETS** (continued)

B. Business-type Activities

The following is a summary of the changes in capital assets for the year ended December 31, 2018:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
<u>Cost</u>				
<u>Not being depreciated</u>				
Construction in progress	\$ 664,531,000	\$ 288,700	\$ (953,231)	\$ -
	<u>664,531,000</u>	<u>288,700</u>	<u>(953,231)</u>	<u>-</u>
<u>Being depreciated</u>				
Water and sewer plant	\$ 9,320,468	\$ 1,056,221	\$ -	\$ 10,376,689
Sewer treatment plant	2,697,163	127,524	-	2,824,687
Water well	1,686,604	-	-	1,686,604
Collection system	2,744,249	-	-	2,744,249
Sewer pumping system	1,641,561	12,135	-	1,653,696
Water line	5,120,810	-	-	5,120,810
Equipment and vehicles	395,002	10,303	-	405,305
Sewer treatment improvements	13,419,285	-	-	13,419,285
Water meter	4,888,158	-	-	4,888,158
	<u>41,913,300</u>	<u>1,206,183</u>	<u>-</u>	<u>43,119,483</u>
<u>Less: accumulated depreciation</u>				
Water and sewer plant	(8,325,098)	(124,878)	-	(8,449,976)
Sewer treatment plant	(2,675,280)	(14,107)	-	(2,689,387)
Water well	(936,896)	(59,269)	-	(996,165)
Collection system	(2,744,249)	-	-	(2,744,249)
Sewer pumping system	(1,419,929)	(38,816)	-	(1,458,745)
Water line	(2,599,474)	(127,013)	-	(2,726,487)
Equipment and vehicles	(372,562)	(10,440)	-	(383,002)
Sewer treatment improvements	(4,834,298)	(334,439)	-	(5,168,737)
Water meter	(1,246,040)	(195,526)	-	(1,441,566)
	<u>(25,153,826)</u>	<u>(904,488)</u>	<u>-</u>	<u>(26,058,314)</u>
Net capital assets being depreciated	<u>16,759,474</u>	<u>301,695</u>	<u>-</u>	<u>17,061,169</u>
Total capital assets, net	<u>\$ 17,424,005</u>	<u>\$ 590,395</u>	<u>\$ (953,231)</u>	<u>\$ 17,061,169</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

8. INTERFUND BALANCES

From time to time, cash may be borrowed between funds or costs may be fronted by one fund for another fund resulting in interfund balances. The amounts are not expected to be repaid within one year as they depend on the timing of receipts in other funds. The following interfund balances exist at December 31, 2018.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Funds:</u>		
General Fund	\$ 643,275	\$ 781,106
Industrial Complex Sales Tax Fund	247,231	-
Landfill Fund	15,915	-
General Obligation Bond Sinking Fund	-	873
Nonmajor governmental funds	812,987	758,764
<u>Proprietary Funds:</u>		
Utility System	<u>259,082</u>	<u>437,747</u>
	<u>\$ 1,978,490</u>	<u>\$ 1,978,490</u>

9. INTERFUND TRANSFERS

Transfers between funds occur to provide reimbursement of certain operating costs and are not expected to be repaid. Transfers between funds during 2018 occurred as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General Fund	\$ 3,186,840	\$ 74,000
Industrial Complex Sales Tax Fund	-	25,000
Landfill Fund	-	-
Nonmajor governmental funds	291,791	1,917,106
<u>Proprietary Funds:</u>		
Utility System	<u>320,712</u>	<u>1,783,237</u>
	<u>\$ 3,799,343</u>	<u>\$ 3,799,343</u>

10. ON-BEHALF PAYMENTS FOR SALARIES

The State of Louisiana sends a check monthly for approximately \$500 directly to each individual fireman and policeman that is qualified and has been employed by the City for at least one year. Policemen received a total of \$226,301, and the firemen received \$171,017 in 2018. The total payments of \$397,318 have been included in the fund financial statements in intergovernmental revenue and public safety expenditures.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

11. SHORT-TERM DEBT

The City borrows money during the year to finance expenditures for general operations that are budgeted evenly throughout the year, which are expected to be paid from ad valorem tax revenues collected at year-end.

Short-term debt activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Funds Borrowed	Repayments	Ending Balance
Certificates of Indebtedness	\$ 800,000	\$ 950,000	\$ (800,000)	\$ 950,000

The borrowings for 2018 were advanced to the City through a series of certificates of indebtedness bearing interest at prime minus 2.00%.

12. GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS

a. Activities

Long-term liability activity of governmental activities for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Bonds Payable	\$ 1,115,000	\$ -	\$ (525,000)	\$ 590,000	\$ 140,000
Certificates of indebtedness	312,000	-	(60,000)	252,000	60,000
Compensated Absences	832,245	-	(20,591)	811,654	-
Claims and Judgments	121,219	14,514	-	135,733	-
Pollution Remediation Obligations	447,000	-	(52,000)	395,000	-
	<u>\$ 2,827,464</u>	<u>\$ 14,514</u>	<u>\$ (657,591)</u>	<u>\$ 2,184,387</u>	<u>\$ 200,000</u>

b. Bonds Payable

On October 4, 2012, the City issued General Obligation Refunding Bonds, Series 2012, in the amount of \$2,200,000 in order to refund the General Obligation Sewer Bonds, Series 1998 which had a balance of \$2,154,105 at the time of issuance of the refunding bonds. The City is required to create a sinking fund account and maintain a minimum balance. As of December 31, 2018, the City had maintained the required minimum balance.

On December 4, 2017, the City issued Certificate of Indebtedness, Series 2017, in the amount of \$312,000 for the purpose of financing the purchase of a new firetruck. The Certificates principal payments are due on October 1st of each year beginning 2018 through 2022. Interest on the Certificates is 3.22% and is payable semiannually in April and October.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

12. GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS (continued)

b. Bonds Payable (continued)

Bonds and certificates of indebtedness payable were as follows at December 31, 2018:

	Date of Issuance	Original Balance	Ending Balance
General Obligation Refunding Bonds, Series 2012, 2.25 – 2.5%	10/4/2012	\$ 2,200,000	\$ -
General Obligation 2007, 4.125 – 6.0%	10/1/2007	1,750,000	590,000
		<u>3,950,000</u>	<u>590,000</u>
Certificates of indebtedness 2017, 3.22%	12/4/2017	312,000	252,000
		<u>\$ 4,262,000</u>	<u>\$ 842,000</u>

c. Annual debt service requirements of bonds and notes payable

The annual requirements to service all debts outstanding are as follows for the next five years and for five year increments thereafter:

	Bonds Payable		Certificates of Indebtedness		Principal
	Principal	Interest	Principal	Interest	Total
2019	\$ 140,000	\$ 23,595	\$ 60,000	\$ 8,114	\$ 200,000
2020	145,000	17,217	62,000	6,183	207,000
2021	150,000	10,543	64,000	4,186	214,000
2022	155,000	3,565	66,000	2,125	221,000
	<u>\$ 590,000</u>	<u>\$ 54,920</u>	<u>\$ 252,000</u>	<u>\$ 20,608</u>	<u>\$ 842,000</u>

13. BUSINESS-TYPE ACTIVITIES LONG-TERM OBLIGATIONS

a. Activity

Long-term debt activity of business-type activities for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Bonds Payable	\$ 3,582,000	\$ -	\$ (602,000)	\$ 2,980,000	\$ 501,000
Compensated Absences	87,611	-	5,639	93,250	-
	<u>\$ 3,669,611</u>	<u>\$ -</u>	<u>\$ (596,361)</u>	<u>\$ 3,073,250</u>	<u>\$ 501,000</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

13. BUSINESS-TYPE ACTIVITIES LONG-TERM OBLIGATIONS (continued)

b. Bonds Payable

The City entered into a series of agreements with the Louisiana Department of Health and Hospitals (the Department) as part of the Build America Bonds Program whereby the Department has committed to loan the City up to \$5,000,000 to fund construction of a water meter system (project). The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the City will be evidenced through the Series 2009A and 2009B bonds in the amounts of \$1,000,000 and \$3,000,000, respectively, and these bonds will mature in 20 principal installments, payable annually on each September 1 beginning in 2011. Each annual installment due is based upon a pre-determined percentage of the ultimate amount of the borrowing that is not forgivable (see forgiveness provisions in the following paragraph). Interest on the bonds is incurred at the rate of 2.95% and payment thereof began March 1, 2010 and continues to occur semi-annually thereafter.

The 2009A series bonds were funded with amounts provided under the American Recovery and Reinvestment Act (ARRA). One half of the 2009A bond funds advanced to the City is forgivable as a debt upon advancement. The City received no advances of 2009A bond funds during 2017 as the bonds were fully funded during 2012.

The City is required to create reserve accounts and maintain minimum balances within that account and to make monthly deposits into a sinking fund. As of December 31, 2018, the City fully funded the Water Revenue Bond Sinking Account and maintained the required minimum balance.

On July 31, 2012, the City issued Revenue Refunding Bonds, Series 2012, in the amount of \$2,670,000 in order to refund the Sales Tax Sewer Bonds, Series 1998, Sewer Revenue Bonds, Series 1998 and the Sewer Revenue Bonds, Series 1999 which had balances of \$1,395,000, \$630,000 and \$880,000, respectively, at the time of issuance of the refunding bonds. The remaining balance on the refunded bonds was paid with the cash in the reserve accounts as set aside for the sewer bonds. The City is required to make monthly deposits to a sinking fund. As of December 31, 2018, the City created a sinking fund cash account and therefore, made the monthly required deposits.

Bonds outstanding were as follows at December 31, 2018:

	Date of Issuance	Original Balance	Ending Balance
Water Revenue Bonds, Series 2009A, 2.95%	Various	\$ 1,000,000	\$ 701,000
Water Revenue Bonds, Series 2009B, 2.95%	Various	3,000,000	1,969,000
Revenue Refunding Bonds, Series 2012, 2.25 – 2.5%	7/31/2012	2,670,000	310,000
		<u>\$ 6,670,000</u>	<u>\$ 2,980,000</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

13. BUSINESS-TYPE ACTIVITIES LONG-TERM OBLIGATIONS (continued)

c. Annual debt service requirements

A schedule of annual debt service requirements for the bonds for each of the next five years and for five-year increments thereafter is as follows:

	Bonds Payable		
	Principal	Interest	Total
2019	\$ 501,000	\$ 82,890	\$ 583,890
2020	197,000	73,131	270,131
2021	202,000	67,319	269,319
2022	207,000	61,360	268,360
2023	213,000	55,254	268,254
2024-2028	1,154,000	178,564	1,332,564
2029-2030	506,000	18,703	524,703
	\$ 2,980,000	\$ 537,221	\$ 3,517,221

14. LEGAL DEBT MARGIN

Computation of the legal debt margin for general obligation bonds payable from ad-valorem tax is as follows. The City is within its allowed legal debt limitation.

<u>Ad-valorem taxes:</u>	
Assessed valuation, 2018 tax rolls	<u>\$ 76,634,800</u>
Debt limit: 35% of assessed valuation	<u>\$ 26,822,180</u>
General obligation bonds outstanding at December 31, 2018, secured by ad-valorem tax	<u>\$ 590,000</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS

The City of Bogalusa (the City) participates in the City of Bogalusa Employees' Retirement System (COBERS) which is a single employer pension plan that is administered by a Board of Trustees as established by the City of Bogalusa's Home Rule Charter. The City is also a participating employer in three State-wide cost-sharing multiple employer defined benefit pension plans that include the Municipal Employees' Retirement System of Louisiana (MERS), the Municipal Police Employees' Retirement System (MPERS) and the Firefighters' Retirement System (FRS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of the State-wide plans to the State Legislature. Each system is administered by a separate board of trustees.

Each of the State-wide Systems issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or downloading the reports as follows:

MERS:	MPERS:	FRS
7937 Office Park Boulevard	7722 Office Park Boulevard, Suite 200.	3100 Brentwood Drive
Baton Rouge, Louisiana 70809	Baton Rouge, LA 70809	Baton Rouge, Louisiana 70809
(225) 925-4810	(225) 929-7411	(225) 925-4060
www.mersla.com	www.lampers.org	www.lafirefightersret.com

The financial statements of the City of Bogalusa Employees' Retirement System (COBERS) are included in this report.

In accordance with Government Accounting Standards Board (GASB) Statement 68 the City is required to record its Net Pension Liability in COBERS and the proportional share of each of the other pension plans Net Pension Liability and report the following disclosures:

Plan Descriptions:

a. City of Bogalusa Employees' Retirement System

Plan administration. The City of Bogalusa Employees' Retirement System (COBERS) administers the City of Bogalusa Pension Plan - a single-employer defined benefit pension plan that provides pensions for all permanent full-time general and public safety employees of the City. The City's Home Rule Charter grants the authority to establish and amend the benefit terms to the COBERS Board of Trustees (COBERS Board).

Management of the plan is vested in the COBERS Board, which consists of nine members-five elected by plan members.

Membership: Participation is mandatory for virtually all full-time non-fire and non-police employees who are employed on a permanent basis, and are under the age of 60 years on the date of employment.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

a. City of Bogalusa Employees' Retirement System (continued)

The membership of the plan at June 30, 2018 is as follows:

Retirees & beneficiaries receiving benefits	86
Active plan members	48
Total	134

Description of Benefits: Members become benefit eligible at age 60 with 10 years of service or age 50 with 25 years of service. The normal benefit is equal to two and two-thirds percent of average salary for each year of total service and any fractional part of a year of service. The minimum amount of benefit is 25% of average salary, while maximum benefit is 66 2/3% of average salary.

Under the joint and survivor option, 75% of benefits are paid and continue to the surviving spouse until death or remarriage. Cost-of-living adjustments (COLA) are provided with approval of the City Council.

Description of Benefits: Members become benefit eligible at age 60 with 10 years of service or age 50 with 25 years of service. The normal benefit is equal to two and two-thirds percent of average salary for each year of total service and any fractional part of a year of service. The minimum amount of benefit is 25% of average salary, while maximum benefit is 66 2/3% of average salary. Under the joint and survivor option, 75% of benefits are paid and continue to the surviving spouse until death or remarriage. Cost-of-living adjustments (COLA) are provided with approval of the City Council.

An active member may participate in the Deferred Retirement Option Plan when he becomes eligible to retire. Participation in the plan can be for no more than 36 months. The regular monthly retirement benefit (calculated at the time of participation in the program) is deposited in a separate account for the participant. Upon termination of employment, the accumulated balance in the account is paid to the participant in a lump sum amount or any other method of payment approved by the board of trustees. Payment of the regular monthly retirement benefit also commences at the termination of employment.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

a. City of Bogalusa Employees' Retirement System (continued)

Annual Pension Expense and Net Pension Liability: The City's Net Pension Liability to the COBERS, calculated in accordance with GASB 67, for the year ended June 30, 2018 measurement date is as follows:

Total pension liability:	
Service Cost	\$ 577,141
Interest	812,035
Difference between expected and actual experience	(762,795)
Benefit payments	<u>(1,133,375)</u>
Net change in total pension liability	(506,994)
Total pension liability - beginning	<u>26,998,292</u>
Total pension liability - ending	<u><u>\$ 26,491,298</u></u>
Plan fiduciary net position:	
Contributions employer	\$ 421,769
Contributions employee	122,155
Net investment loss	200,457
Benefit payments, refunds and expenses	(1,133,375)
Other	<u>(1,416)</u>
Change in plan fiduciary net position	(390,410)
Plan fiduciary net position - beginning	<u>4,636,935</u>
Plan fiduciary net position - ending	<u><u>\$ 4,246,525</u></u>
Net pension liability - beginning	\$ 22,361,357
Change in net pension liability	(116,584)
Net pension liability - ending	<u><u>\$ 22,244,773</u></u>
Plan fiduciary net position as a percentage of the total pension liability	16.03%

b. Municipal Employees' Retirement System of Louisiana (MERS)

The Municipal Employees' Retirement System of Louisiana (MERS) is the administrator of a cost sharing multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 2018, there were 84 contributing municipalities in Plan A and 68 in Plan B. The City of Bogalusa is a participant in Plan A only.

The following is a description of the plan and its benefits and is provided for general information purposes only and only for Plan A.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

b. Municipal Employees' Retirement System of Louisiana (MERS) (continued)

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

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

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

Eligibility for Retirement for Plan A Tier 2 members hired on or after January 1, 2013 is as follows:

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

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

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

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

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

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

b. Municipal Employees' Retirement System of Louisiana (MERS) (continued)

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B 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 the System 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 the 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 the System.

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.

The System 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 the System to grant additional cost of living increases to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

c. Municipal Police Employees' Retirement System (MPERS)

The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. 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, provided 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. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211 - 11:2233.

The following is a brief description of the plan and its benefits and is provided for general information purposes only.

Membership Prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years' creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are 3.33% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 40% to 60% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives benefits equal to 10% of the member's average final compensation or \$200 per month, whichever is greater.

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are 3% and 2.50%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 25% to 55% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives 10% of average final compensation or \$200 per month whichever is greater. If deceased member had less than 10 years of service, beneficiary will receive a refund of employee contributions only.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

c. Municipal Police Employees' Retirement System (MPERS) (continued)

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

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 benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

d. Firefighters' Retirement System (FRS)

The Firefighters' Retirement System (FRS) is the administrator of a cost-sharing, multiple-employer, defined benefit pension plan. The System provides retirement, disability, and death benefits for their members. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 434 of 1979 and amended by Louisiana Revised Statutes (R.S.) 11:2251 - 11:2272. The following is a brief description of the plan and its benefits and is provided for general information purposes only.

Any person who becomes an employee as defined in R.S. 11:2252 on and after January 1, 1980, shall become a member as a condition of employment. Membership in the System is a condition of employment for any full-time firefighters (or any person in a position as defined in the municipal fire and police civil service system) who earn at least \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System.

No person who has attained age 50 or over shall become a member of the System unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of 50. No person who has not attained the age of 18 years shall become a member of the System.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

d. Firefighters' Retirement System (FRS) (continued)

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

Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3.333% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity. If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. An employee may elect an unreduced benefit or any of seven options at retirement. See RS. 11 :2256(A) for additional details on retirement benefits.

Deferred Retirement Option Plan: After completing 20 years of creditable service and attaining the age of 50 years, or 25 years at any age, a member may elect to participate in the defined retirement option plan (DROP) for up to 36 months. Upon commencement of participation in DROP, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the member's DROP account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the DROP account balance. These withdrawals are in addition to his regular monthly benefit. If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No withdrawals may be made from the DROP account until the participant retires.

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

Funding Policy – All Pension Plans

The funding policy for the City of Bogalusa Employees' Retirement System (COBERS) is actuarially determined and adopted by Board of Trustees as established by the City of Bogalusa's Home Rule Charter. The City also collects an ad valorem tax of 2.75 mills that is contributed to COBERS that is in addition to the City's contribution based on a covered payroll percentage. On the statewide multiple employer cost sharing pension plans, Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee (PR SAC).

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

Funding Policy – All Pension Plans (continued)

Contributions to the plans are required and determined by COBERS or by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2018, for the City and covered employees were as follows:

	City	Employees
City of Bogalusa Employees' Retirement System ¹	11.00%	6.00%
Municipal Employees' Retirement System Plan A	26.00%	9.50%
Municipal Police Employees' Retirement System		
All employees hired prior to 01/01/2013 and all		
Hazardous Duty employees hired after 01/01/2013	32.25%	10.00%
Non-Hazardous Duty (hired after 01/01/2013)	32.25%	8.00%
Employees receiving compensation below poverty		
guidelines of US Department of Health	34.75%	7.50%
Firefighters' Retirement System		
Employees receiving compensation above poverty		
guidelines of US Department of Health	26.50%	10.00%
Employees receiving compensation below poverty		
guidelines of US Department of Health	28.50%	8.00%

¹ Percentage does not include City contribution of property taxes dedicated to the Retirement System

The contributions made to the Systems for the past three years ending on December 31, were as follows:

	2018	2017	2016
City of Bogalusa Employees' Retirement System ¹	\$ 441,186	\$ 413,333	\$ 387,545
Municipal Employees' Retirement System Plan A	18,318	17,411	15,118
Municipal Police Employees' Retirement System	555,508	552,717	543,670
Firefighters' Retirement System	328,753	340,232	342,473

¹ Amount includes the City's accrual of property taxes dedicated to the Retirement System

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

The following schedule lists the City's proportionate share of the Net Pension Liability allocated by each of the COBERS plan and the cost sharing multiple-employer pension plans based on the June 30, 2018 measurement date. The City uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2018 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2018 along with the change compared to the June 30, 2018 rate. The City's proportion of the Net Pension Liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

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

	Net Pension Liability at June 30, 2018	Proportionate Rate at June 30, 2018	Increase (Decrease) on June 30, 2017 Rate
City of Bogalusa Employees' Retirement System	\$ 22,244,773	Not Applicable	Not Applicable
Multiple Employer Cost Sharing Plans:			
Municipal Employees' Retirement System Plan A	\$ 167,859	0.0404%	-0.0009%
Municipal Police Employees' Retirement System	5,175,137	0.6121%	0.0028%
Firefighters' Retirement System	3,056,372	0.5314%	-0.0507%
Total - Multiple Employer Cost Sharing Plans:	<u>8,399,368</u>		
	<u>\$ 30,644,141</u>		

The following schedule lists each pension plan's recognized pension expense of the City for the year ended December 31, 2018:

	Total
City of Bogalusa Employees' Retirement System	\$ 1,465,817
Municipal Employees' Retirement System Plan A	31,839
Municipal Police Employees' Retirement System	448,084
Firefighters' Retirement System	451,424
	<u>\$ 2,397,164</u>

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,330	\$ (1,869,573)
Changes of assumptions	556,457	(484)
Net difference between projected and actual earnings on pension plan investments	472,547	(170,810)
Changes in proportion and differences between Employer contributions and proportionate share of contributions (cost sharing plans only)	121,764	(698,835)
Employer contributions subsequent to the measurement date	815,186	-
Total	<u>\$ 1,989,284</u>	<u>\$ (2,739,702)</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

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

Summary totals of deferred outflows of resources and deferred inflows of resources by pension plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City of Bogalusa Employees' Retirement System	\$ 330,324	\$ (1,537,331)
Municipal Employees' Retirement System Plan A	43,616	(8,260)
Municipal Police Employees' Retirement System	935,412	(497,035)
Firefighters' Retirement System	679,932	(697,076)
	<u>\$ 1,989,284</u>	<u>\$ (2,739,702)</u>

The following table lists the City's contributions to each retirement system that is reported as deferred outflow of resources related to pension made subsequent to the measurement period of June 30, 2018 which will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2019. The following schedule list the pension contributions made subsequent to the measurement period for each pension plan:

	Subsequent Contributions
City of Bogalusa Employees' Retirement System	\$ 330,324
Municipal Employees' Retirement System Plan A	9,792
Municipal Police Employees' Retirement System	309,703
Firefighters' Retirement System	165,367
	<u>\$ 815,186</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	COBERS	MERS	MPERS	FRSL	Total
2018	\$ -	\$ -	\$ -	\$ -	\$ -
2019	(1,157,125)	15,826	130,532	100,653	(910,114)
2020	(299,064)	6,734	124,662	(15,594)	(183,262)
2021	(65,148)	2,269	(135,530)	(169,029)	(367,438)
2022	(15,994)	735	9,010	(45,622)	(51,871)
2023	-	-	-	(15,769)	(15,769)
2024	-	-	-	(37,150)	(37,150)
	<u>\$ (1,537,331)</u>	<u>\$ 25,564</u>	<u>\$ 128,674</u>	<u>\$ (182,511)</u>	<u>\$ (1,565,604)</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

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

Payables to the Pension Plan

The City recorded accrued liabilities to each of the Retirement Systems for the year ended December 31, 2018 mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as accounts, salaries and other payables. The balance due to each for the retirement systems at December 31, 2018 is as follows:

	<u>December 31, 2018</u>
COBERS	\$ 209,181
MERS	-
MPERS	-
FRSL	-
	<u>\$ 209,181</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

Actuarial Assumptions

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

	COBERS	MERS	MPERS	FRSL								
Valuation Date	June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018								
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost								
Actuarial Assumptions:												
Expected Remaining Service Lives	3 years	3 years	4 years	7 years								
Investment Rate of Return	6.50% per annum for investments	7.275% net of investment expenses	7.200% net of investment expenses	7.30% net of fees,								
Inflation Rate	3.500%	2.600%	2.600%	2.700% per annum								
Mortality	For pre-retirement and post-retirement mortality, the rates of the 2018 Applicable Mortality Table (Optional Combined Table for Small Plans) were used. This table is a recent study of group annuitant mortality and should be representative of the pension plan's experience.	RP-2000 Employee Table for active members (set back 2 years for males and females) RP-2000 Healthy Annuitant Table for healthy annuitants (set forward 2 years for males and 1 year for females) RP-2000 Disabled Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females).	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009, through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA were selected for employee, annuitant, and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table set back five years for males and setback three years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement.								
Salary Increases	It has been assumed that employees' compensation will increase with each year of employment with annual salary increases average 4.5% per year of employment and with aggregate payroll increases on the average 2.5% per year.	5.00%		Vary from 15.0% in the first two years of service to 4.75% after 25 years; includes inflation and merit increases								
			<table border="1"> <thead> <tr> <th style="text-align: center;">Years of Service</th> <th style="text-align: center;">Salary Growth Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1 - 2</td> <td style="text-align: center;">9.75%</td> </tr> <tr> <td style="text-align: center;">3 - 23</td> <td style="text-align: center;">4.75%</td> </tr> <tr> <td style="text-align: center;">24 & Over</td> <td style="text-align: center;">4.25%</td> </tr> </tbody> </table>	Years of Service	Salary Growth Rate	1 - 2	9.75%	3 - 23	4.75%	24 & Over	4.25%	
Years of Service	Salary Growth Rate											
1 - 2	9.75%											
3 - 23	4.75%											
24 & Over	4.25%											
Cost of Living Adjustments	A cost-of-living benefit of 2% of the base benefit may be paid to all retirees and beneficiaries who are age 65 or more. If given, such raises are to be funded from deemed "excess" investment earnings over 6.50%. The raises must be approved by the City Council and are allowed on July 1, 1982 and every subsequent July 1.	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.	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.	For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those previously granted were included.								

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

The following schedule list the methods used by each of the retirement systems in determining the long term rate of return on pension plan investments:

COBERS	MERS	MPERS	FRSL
The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (net of investment expense and inflation) are developed for each asset allocation. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The average invested assets in each asset allocation for the current fiscal year the combined long-term rate of real return, net of inflation (i.e., 3.00%), is 3.500%. The discount rate was calculated at 3.071%	The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of and an adjustment for the effect of balancing or diversification.	The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long term rate of return is 8.03% for the year ended June 30, 2018.	The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 8.09% as of June 30, 2018. Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2018.

The following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations as of June 30, 2018:

Asset Class	Target Allocation				Long-Term Expected Real Rate of Return			
	COBERS	MERS	MPERS	FRSL	COBERS	MERS	MPERS	FRSL
Public equity	-	50.00%	-	-	-	2.20%	-	-
Equity	-	-	52.00%	54.00%	-	-	3.58%	20.34%
Public fixed income	-	35.00%	-	-	-	1.50%	-	-
Fixed Income	43.93%	-	22.00%	26.00%	-0.048%	-	0.46%	1.76%
Alternatives	-	15.00%	20.00%	10.00%	-	0.60%	1.07%	13.11%
Value	25.28%	-	-	-	0.956%	-	-	-
Growth	25.02%	-	-	-	2.592%	-	-	-
Cash and short term	5.77%	-	-	-	-	-	-	-
Other	-	-	6.00%	10.00%	-	-	0.17%	9.20%
Total	100.00%	100.00%	100.00%	100.00%	3.50%	4.30%	5.28%	
Inflation					3.00%	2.60%	2.60%	
Expected Arithmetic Nominal Return					6.50%	6.90%	7.88%	

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

15. PENSION PLANS (continued)

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for COBERS, MERS, MPERS and FRS was 3.071%, 7.40%, 7.325% and 7.50%, respectively for the year ended June 30, 2018.

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

The following table presents the City's proportionate share of the Net Pension Liability (NPL) using the discount rate of each Retirement System as well as what the City's proportionate share of the NPL 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 used by each of the Retirement Systems:

	1.0% Decrease	Current Discount Rate	1.0% Increase
COBERS			
Rates	2.071%	3.071%	4.071%
City of Bogalusa Share of NPL	\$ 25,706,439	\$ 22,244,773	\$ 19,430,199
MERS			
Rates	6.400%	7.400%	8.400%
City of Bogalusa Share of NPL	\$ 215,630	\$ 167,859	\$ 127,085
MPERS			
Rates	6.325%	7.325%	8.325%
City of Bogalusa of NPL	\$ 7,272,499	\$ 5,175,137	\$ 3,415,530
FRSL			
Rates	6.500%	7.50%	8.500%
City of Bogalusa Share of NPL	\$ 4,459,970	\$ 3,056,372	\$ 1,876,867

16. RISK MANAGEMENT

Litigation and General Liability

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City attempts to minimize risk from significant losses by participating in a public entity risk pool. According to the participation contract, the City transfers all risk to the public entity risk pool. The City is only responsible for the payment of premiums and deductibles on claims; the public entity risk pool is responsible for the payment of claims excluding the deductible.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

16. RISK MANAGEMENT (continued)

Litigation and General Liability (continued)

On December 31, 2018, the City was a defendant in a number of lawsuits and other claims arising from the normal course of operations; most of which were being defended through the City's participation on the public entity risk pool. However, some of the claims were not covered through the risk pool and were thus handled through other hired counsel. The City Attorney has advised that his position on the suits covered under insurance is that they should be defended and/or settled within the policy limits. The lawsuits and claims not covered by insurance are also being vigorously defended. The ultimate disposition of all of these matters is unknown as of the date of issuance of these financial statements; however, certain of these matters could materially affect the City's financial condition if rulings are made in favor of the plaintiff or if the City chooses to settle these matters.

Worker's Compensation

In prior years, the City had a self-insured retention (deductible) of \$175,000 for worker's compensation. In 2009, the city purchased a full coverage worker's compensation insurance policy. No deductible is required; therefore, no reserve liability exists for claims incurred from 2009 forward. However, a liability is recorded in the Governmental Activities long-term debt for the City's retained risk pertaining to claims incurred prior to 2009 that remain open as of December 31, 2018 in the amount of \$135,733.

Past Due Amounts

The City was in arrears to the public entity risk pool in which it participates for premiums due and amounts owed for past self-insured worker's compensation claims. The total amount owed to the risk pool entity was approximately \$268,000 at December 31, 2018. These amounts owed are included in accounts payable of the General Fund.

17. GRANTS FROM OTHER GOVERNMENTAL UNITS

Federal and state governmental units provide an important source of supplementary funding used to finance employment, construction programs, and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded throughout all of the City's fund types. A grant receivable is recorded when the City has a right to reimbursement under the related grant, which is generally at the time an eligible expenditure has been incurred.

Most grants received by the City specify the purpose for which the grant monies are to be used and are subject to audit by the granting agency or, in the case of federal grants, the Single Audit Act. These audits may result in disallowed cost on previously received reimbursements requiring the City to return the funds to the grantor. Any potential return of funds is accounted for in accordance with FASB Statement No 5, Accounting for Contingencies, as made applicable under GASB Statement 62.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

17. GRANTS FROM OTHER GOVERNMENTAL UNITS (continued)

Grants and contribution revenues are to be categorized between operating and capital. The following categorization supports the grants and contribution revenues reported in the Statement of Activities:

Function/Program	Operating	Capital	Total
<u>Governmental Activities:</u>			
General government	\$ 118,551	\$ -	\$ 118,551
Public safety	725,092	-	725,092
Public works	-	266,712	266,712
Economic Development	44,659	-	44,659
Culture and recreation	-	-	-
Airport	8,067	671,622	679,689
	<u>896,369</u>	<u>938,334</u>	<u>1,834,703</u>
<u>Business-type Activities:</u>			
Utilities	-	63,580	63,580
	<u>\$ 896,369</u>	<u>\$ 1,001,914</u>	<u>\$1,898,283</u>

18. LEASES OF CITY PROPERTY

The City of Bogalusa has operating leases for various buildings, land and improvements. The lease's terms range from five years to fifteen years. Operating lease income for December 31, 2018 was \$369,777. The following is a schedule of future minimum lease commitments:

Year	Amount
2018	\$ 359,380
2019	98,902
2020	29,902
2021	29,902
	<u>\$ 518,086</u>

19. COMPENSATION PAID TO CITY COUNCIL

Name	Title	Amount
Judson Teddy Drummond	City Council - At Large	\$ 7,200
Doug (Frank) Ritchie	City Council - At Large	7,200
Gloria Kates	City Council - District A	7,246
Tamira Smith	City Council - District B	7,754
Brian McCree	City Council - District C	7,200
Scott Ard	City Council - District D	7,200
Sherry Fortenberry	City Council - District E	7,200
		<u>\$ 51,000</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

20. OPERATING ENVIRONMENT AND FINANCIAL DEFICIENCIES

Deficit fund balances exist in the following funds:

Youth Recreation and Parks Fund	\$ 131,056
Landfill Fund	\$ 456,121

The Youth Recreation and Parks fund exceeded its currently available resources due to the expenditures of the construction of a new sprinkler park built during the year that is recorded in this fund. This deficit is expected to be resolved in the subsequent year through reduction in operating expenditures and transfers from other funds.

The Landfill Fund's deficit is a result of increased costs of operating the landfill including those necessary for compliance with EPA requirements to currently fund a portion of closure and post-closure costs.

21. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Bogalusa (the City) provides certain continuing health care and life insurance benefits for its retired employees. The City of Bogalusa's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the City. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Statement No. 75.

Benefits Provided

Medical and life insurance benefits are provided through comprehensive plans and are made available to employees upon actual retirement. Employees retirement eligibility (D.R.O.P. entry) provisions are as follows: The employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service.

Life insurance coverage is provided to retirees and 100% of the blended rate (active and retired) is paid by the employer for the insurance amount of \$2,500. Insurance coverage while active is continued after retirement.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2018.

Employees covered by benefit terms

The December 31, 2018 total OPEB liability was determined using the December 31, 2018 actuarial valuation that included the following employees covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	107
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	149
	256

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

21. OTHER POST-EMPLOYMENT BENEFITS (continued)

Total OPEB Liability

The City's total OPEB liability of \$344,804 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions and other inputs

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0%, including inflation
Discount rate	3.44% annually (Beginning of Year to Determine ADC)
	4.10%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually

The discount rate was based on the Bond Buyers' 20 Year General Obligation municipal bond index as of December 31, 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Mortality Table Report (released in July, 2000) without projection with 50%/50% unisex blend.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2018.

Changes in the Total OPEB Liability

Balance at December 31, 2017	\$ 364,615
Changes for the year:	
Service cost	3,251
Interest	12,599
Differences between expected and actual experience	(7,319)
Changes in assumptions	(26,143)
-Benefit Payments and Net Transfers	(2,199)
Net changes	(19,811)
Balance at December 31, 2018	\$ 344,804

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

21. OTHER POST-EMPLOYMENT BENEFITS (continued)

Changes in the Total OPEB Liability (continued)

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.10%) or 1-percentage-point higher (5.10%) than the current discount rate:

	1.0% Decrease (3.10%)	Current Discount Rate (4.10%)	1.0% Increase (5.10%)
Total OPEB liability	\$ 386,200	\$ 344,804	\$ 310,418

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (4.5%)	Current Trend (5.5%)	1.0% Increase (6.5%)
Total OPEB liability	\$ 334,934	\$ 344,804	\$ 356,074

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized OPEB expense of \$12,132. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (6,505)
Changes in assumptions		(23,239)
Total	\$ -	(29,744)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31:	
2019	(3,718)
2020	(3,718)
2021	(3,718)
2022	(3,718)
2023	(3,718)
Thereafter	(11,154)

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

22. TAX ABATEMENTS

The City of Bogalusa is subject to certain property tax abatements granted by the Louisiana State Board of Commerce and Industry (the "State Board"), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the government may be subject include those issued for property taxes under the Industrial Tax Exemption Program ("ITEP") and the Restoration Tax Abatement Program ("RTAP"). In addition, the City of Bogalusa has the authority to grant sales tax rebates to taxpayers pursuant to the Enterprise Zone Tax Rebate Program ("EZ Program"). For the year ending December 31, 2018, the City of Bogalusa only participated in the Industrial Tax Exemption Program.

Under the ITEP, as authorized by Article 7, Section 21(F) of the Louisiana Constitution and Executive Order Number JBE 2016-73, companies that qualify as manufacturers can apply to the State Board for a property tax exemption on all new property, as defined, used in the manufacturing process. Under the ITEP, companies are required to promise to expand or build manufacturing facilities in Louisiana, with a minimum investment of \$5 million. The exemptions are granted for a 5-year term and are renewable for an additional 5-year term upon approval by the State Board. In the case of the local government, these state-granted abatements have resulted in reductions of property taxes, which the tax assessor administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. The local government may recapture abated taxes if a company fails to expand facilities or otherwise fail to fulfill its commitments under the agreement.

Taxes abated for the fiscal year ended December 31, 2018 were as follows:

<u>Tax Abatement/Refund Program</u>	Amount of Taxes Abated During the Fiscal Year
Industrial tax Exemption Program	\$ 3,685,248

The following schedule identifies the abated taxes by fund:

<u>Governmental Funds:</u>	
General Fund	\$ 2,342,513
Landfill Fund	385,060
General Obligation Bond Sinking Fund	127,843
Nonmajor governmental funds	620,843
 <u>Proprietary Funds:</u>	
Utility System	208,989
	\$ 3,685,248

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

23. CONTINGENCIES AND COMMITMENTS

In 2013, the City became aware of disallowed costs for several projects or grants previously funded under the FEMA Public Assistance Program related to past disasters, primarily Hurricane Katrina. Preliminary notifications from the Governor's Office of Homeland Security and Emergency preparedness (GOHSEP, the granting agency) indicated that approximately \$300,000 was due to be returned to GOHSEP because of disallowed costs. The City is continuing to contest and appeal the Governor's Office of Homeland Security's disallowance of these costs. However, during 2017, the City received notification that the requested funds under the FEMA Public Assistance Program for damage caused by Flooding in March of 2016 were being held pending resolution of the federal claim against the City to recover disallowed Katrina costs. Funds were approved and obligated by GOHSEP for the March 2016 flood, but due to these disallowed costs on previous disasters, the City was not able to receive any of the funds. Whereas the funds obligated for projects related to the flood exceeded those owed to GOHSEP the City booked a net receivable of approximately \$176,000 that is reported in the Utility Fund as a portion of accounts receivable.

In 2013, the City entered into an agreement with the Louisiana Department of Environmental Quality for asbestos remediation for past, present and future demolitions of condemned/adjudicated properties in possession of the City. The City has committed to and has begun remediation of 140 demolitions from the past that were identified by the DEQ upon inspection. The City has completed remediation on a total of 4 properties during through 12/31/2018 leaving a balance of 102 to complete. In accordance with Governmental Accounting Standards Board Statement No 49, *Accounting and financial reporting for Pollution Remediation Liabilities*, an estimated liability of \$395,000 is recorded as payable for the past demolitions, for which remediation activities have already begun. Future demolitions are not estimable at this time.

24. CURRENT ACCOUNTING STANDARDS SCHEDULED TO BE IMPLEMENTED

The Governmental Accounting Standards Board recently issued the following pronouncements that may have to be reported the City's financial statements in subsequent years:

GASB Statement 83, *Certain Asset Retirement Obligations (ARO)*: This standard establishes criteria for determining the timing and pattern of recognition of an ARO liability and a corresponding deferred outflow of resources. An ARO is a legally enforceable liability associated with the sale, recycling, retirement, abandonment or disposal in some other manner of a tangible capital asset permanently removed from service. The standard is effective for annual reporting periods beginning after June 15, 2018. The City will include the requirements of this standard, as applicable, in its December 31, 2019 financial statement. The effect of this standard or its applicability to the City are unknown at this time.

GASB Statement 84, *Fiduciary Activities*: This standard defines and establishes criteria for identifying and reporting fiduciary activities. The focus of the criteria is on (1) whether the City controls the assets in a fiduciary activity and (2) there are separate identifiable beneficiaries with whom a fiduciary relationship exists. The standard is effective for annual reporting periods beginning after December 15, 2018. The City will include the requirements of this standard, as applicable, in its December 31, 2019 financial statement. The effect of this standard or its applicability to the City are unknown at this time.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2018

24. CURRENT ACCOUNTING STANDARDS SCHEDULED TO BE IMPLEMENTED (continued)

GASB Statement 87, Leases: This standard will require all leases to be reported on the statement of net position under a single accounting model for both lessors and lessees. The statement will require the recognition of lease assets or liabilities for leases previously reported as operating leases. Both operating and capital leases will be reported under this single accounting method and reported by lessees as an intangible right to use asset and by lessors as a receivable with both reporting a deferred inflow of resources. The standard is effective for annual reporting periods beginning after December 15, 2019. The City will include the requirements of this standard, as applicable, in its December 31, 2020 financial statement. All of the City's lease agreements will need to be evaluated to determine the impact of implementing this standard; however, the effect of this standard or its applicability to the City are unknown at this time.

GASB Statement 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements: This standard will require additional disclosures related to debt including segregating direct borrowing and direct placement debt from other debt. Note disclosures will include unused lines of credit, assets pledged as collateral for debt and certain terms specified in the debt agreements including events of default, termination events and subjective acceleration clauses. The standard is effective for annual reporting periods beginning after June 15, 2018. The City will include the requirements of this standard, as applicable, in its December 31, 2019 financial statement. All of the City's debt agreements will need to be evaluated to determine the impact of implementing this standard; however, the effect of this standard or its applicability to the City are unknown at this time.

25. SUBSEQUENT EVENT

In February 2019, the Louisiana Fiscal Review Committee voted to place the City under fiscal administration in accordance with Louisiana Revised Statute 39:1351. The Louisiana Fiscal Review Committee is composed of the Louisiana Legislative Auditor, the Attorney General, and the Treasurer. The decision to place the City under Fiscal Administration was due to the City's continued struggling financial situation particularly with the funding of the City of Bogalusa's Employees Retirement System and meeting the obligations of the liabilities owed to the Choctaw Road Landfill joint venture. In May 2019, the Court appointed the City's fiscal administrator who was recommended by the Louisiana Legislative Auditor and Attorney General. The fiscal administrator will have broad authority over the City's finances and will investigate the financial situation of the City and report recommendations for changes to the Court, State Treasurer, Attorney General and the Legislative Auditor. The objective of the fiscal administration process is to make operational changes so that long term fiscal stability can be achieved.

Required Supplemental
Information (Part II)

CITY OF BOGALUSA, LOUISIANA

**SCHEDULE OF CHANGES IN TOTAL OTHER
POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2018**

Financial statement reporting date		12/31/2018
Measurement date		12/31/2018
Service cost	\$	3,251
Interest		12,599
Difference between actual and expected experience		(7,319)
Change in assumptions		(26,143)
Benefit payments		(2,199)
Net change in total OPEB liability		<u>(19,811)</u>
Total OPEB liability - beginning		<u>364,615</u>
Total OPEB liability - ending	\$	<u>344,804</u>
Covered employee payroll	\$	4,673,937
Total OPEB liability as a percentage of covered employee payroll		7.38%

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

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB 75 for this OPEB plan.

CITY OF BOGALUSA, LOUISIANA
Schedule of the Proportionate Share of the Net Pension Liability
Cost Sharing Plans Only
For the Year Ended December 31, 2018 (*)

Year	Pension Plan	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	MERS (Plan A)	0.0404%	\$ 167,859	\$ 74,013	226.7966%	63.9406%
2017	MERS (Plan A)	0.0415%	173,533	74,246	233.7271%	62.4940%
2016	MERS (Plan A)	0.0386%	158,091	48,131	328.4598%	62.1103%
2015	MERS (Plan A)	0.0334%	119,146	56,906	209.3734%	66.1790%
2014	MERS (Plan A)	0.0324%	83,125	62,719	132.5356%	73.9900%
2018	MPERS	0.6121%	5,175,137	1,807,951	286.2432%	71.8871%
2017	MPERS	0.6094%	5,320,084	1,803,009	295.0670%	70.0815%
2016	MPERS	0.6381%	5,980,832	1,786,352	334.8070%	66.0422%
2015	MPERS	0.7028%	5,505,641	1,727,198	318.7614%	70.7300%
2014	MPERS	0.7744%	4,844,528	1,863,353	259.9898%	75.1010%
2018	FRSL	0.5314%	3,056,372	1,270,215	240.6185%	74.7634%
2017	FRSL	0.5820%	3,336,005	1,368,523	243.7668%	73.5479%
2016	FRSL	0.5631%	3,682,876	1,269,799	290.0361%	68.1550%
2015	FRSL	0.6181%	3,335,696	1,212,206	275.1757%	72.4480%
2014	FRSL	0.6475%	2,881,461	1,412,941	203.9336%	76.0150%

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

(*) The amounts presented have a measurement date of June 30th for the year identified.

The four Retirement Systems reported in this schedule are as follows:

Multiple Employer Cost Sharing Pension Plans:
MERS (Plan A) = Municipal Employees' Retirement System
MPERS = Municipal Police Employees' Retirement System
FRSL = Firefighters Retirement System of Louisiana

CITY OF BOGALUSA, LOUISIANA
Schedule of Contributions to Each Retirement System
Cost Sharing Plans Only
For the Year Ended December 31, 2018

Year	Pension Plan:	Contractually Required Contribution ¹	Contributions in Relation to Contractually Required Contribution ²	Contribution Deficiency (Excess)	Employer's Covered Payroll ³	Contributions as a % of Covered Payroll
2018	MERS (Plan A)	\$ 18,972	\$ 18,972	\$ -	\$ 74,751	25.3803%
2017	MERS (Plan A)	17,411	17,411	-	73,285	23.7579%
2016	MERS (Plan A)	15,118	15,118	-	70,791	21.3558%
2015	MERS (Plan A)	8,845	8,845	-	44,786	19.7495%
2014	MERS (Plan A)	12,175	12,175	-	63,235	19.2536%
2018	MPERS	594,793	594,793	-	1,887,441	31.5132%
2017	MPERS	552,717	552,717	-	1,766,587	31.2873%
2016	MPERS	543,670	543,670	-	1,762,885	30.8398%
2015	MPERS	530,514	530,514	-	1,742,235	30.4502%
2014	MPERS	583,058	583,058	-	1,866,063	31.2454%
2018	FRSL	328,753	328,753	-	1,240,579	26.5000%
2017	FRSL	340,232	340,232	-	1,315,095	25.8713%
2016	FRSL	342,473	342,473	-	1,308,677	26.1694%
2015	FRSL	345,454	345,454	-	1,226,730	28.1606%
2014	FRSL	373,519	373,519	-	1,299,057	28.7531%

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

For reference only:

¹ Employer contribution rate multiplied by employer's covered payroll

² Actual employer contributions remitted to Retirement Systems

³ Employer's covered payroll amount for the year ended December 31 of each year

The four Retirement Systems reported in this schedule are as follows:

Multiple Employer Cost Sharing Pension Plans:

MERS (Plan A) = Municipal Employees' Retirement System

MPERS = Municipal Police Employees' Retirement System

FRSL = Firefighters Retirement System of Louisiana

CITY OF BOGALUSA, LOUISIANA
Note to the Required Supplemental Information
December 31, 2018
(UNAUDITED)

a. Changes in benefit terms and assumptions related to total other post-employment benefit liability

Changes of Benefit Terms

There were no changes to the benefit terms that affected the total OPEB liability

Changes of Assumptions

Discount rate assumption

Measurement Date	Rate	Change
12/31/2018	4.10%	0.66%
12/31/2017	3.44%	

b. Changes in benefit terms and assumptions related to multiple employer cost sharing pension plans

Changes of Benefit Terms include:

Municipal Employees' Retirement System (MERS)

- No Changes

Municipal Police Employees' Retirement System (MPERS)

- No Changes

Firefighters' Retirement System Louisiana (FRSL)

- No Changes

Changes of Assumptions

The following Discount rate changes were made to the pension plans identified in the following table:

Changes in Discount Rate:		
Year (*)	Rate	Change
MERS		
2018	7.400%	0.000%
2017	7.400%	-0.100%
2016	7.500%	0.000%
2015	7.500%	-0.250%
2014	7.750%	
MPERS		
2018	7.325%	0.000%
2017	7.325%	-0.175%
2016	7.500%	0.000%
2015	7.500%	0.000%
2014	7.500%	
FRSL		
2018	7.500%	0.000%
2017	7.500%	0.000%
2016	7.500%	0.000%
2015	7.500%	0.000%
2014	7.500%	

See accompanying independent auditor's report.

CITY OF BOGALUSA, LOUISIANA
Schedule of Changes in Net Pension Liability and Related Ratios
City of Bogalusa Employees' Retirement System only
For the Year Ended June 30, 2018

	2018	2017	2016	2015
Total pension liability:				
Service Cost	\$ 577,141	\$ 640,501	\$ 450,028	\$ 573,567
Interest	812,035	825,027	510,581	802,188
Difference between expected and actual experience	(762,795)	(2,493,396)	4,249,842	(472,600)
Benefit payments	(1,133,375)	(1,128,999)	(1,152,324)	(1,050,370)
Net change in total pension liability	(506,994)	(2,156,867)	4,058,127	(147,215)
Total pension liability - beginning	26,998,292	29,155,159	25,097,032	25,244,247
Total pension liability - ending	<u>\$ 26,491,298</u>	<u>\$ 26,998,292</u>	<u>\$ 29,155,159</u>	<u>\$ 25,097,032</u>
Plan fiduciary net position:				
Contributions employer	\$ 421,769	\$ 397,604	\$ 371,358	\$ 348,426
Contributions employee	122,155	109,830	98,567	97,978
Net investment income (loss)	200,457	359,096	(14,146)	248,314
Benefit payments, refunds and expenses	(1,133,375)	(1,128,999)	(1,152,324)	(1,050,859)
Other	(1,416)	(1,702)	(2,338)	-
Change in plan fiduciary net position	(390,410)	(264,171)	(698,883)	(356,141)
Plan fiduciary net position - beginning	4,636,935	4,901,106	5,599,989	5,956,130
Plan fiduciary net position - ending	<u>\$ 4,246,525</u>	<u>\$ 4,636,935</u>	<u>\$ 4,901,106</u>	<u>\$ 5,599,989</u>
Net pension liability - beginning	\$ 22,361,357	\$ 24,254,053	\$ 19,497,043	\$ 19,497,043
Change in net pension liability	(116,584)	(1,892,696)	4,757,010	208,926
Net pension liability - ending	<u>\$ 22,244,773</u>	<u>\$ 22,361,357</u>	<u>\$ 24,254,053</u>	<u>\$ 19,705,969</u>
Plan fiduciary net position as a percentage of the total pension liability	16.03%	17.17%	16.81%	22.31%

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

CITY OF BOGALUSA, LOUISIANA
Schedule of Single Employer Plan Contributions
City of Bogalusa Employees' Retirement System only
For the Year Ended June 30, 2018

	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,114,237	\$ 1,160,114	\$ 1,126,471	\$ 1,100,137
Contributions in relation to the actuarially determined contribution	<u>543,924</u>	<u>507,434</u>	<u>469,925</u>	<u>446,404</u> ^A
Contribution deficiency (excess)	<u>570,313</u>	<u>652,680</u>	<u>656,546</u>	<u>653,733</u>
Covered payroll	\$ 2,023,237	\$ 1,856,076	\$ 1,642,781	\$ 1,632,973
Actuarially determined contributions as a percentage of covered payroll	55.07%	62.50%	68.57%	67.37%
Actual contributions in relation to actuarially determined contributions as a percentage of covered payroll	26.88%	27.34%	28.61%	27.34%
Contribution deficiency (excess) as a percentage of covered payroll	28.19%	35.16%	39.97%	40.03%

^A The 2015 contribution accrual totaled \$468,150; however, an accounting adjustment of \$21,746 was recorded to the 2015 accrual to correct accumulated excess amounts from prior years.

Notes to schedule:

Actuarial cost method	Entry age normal cost
Amortization method	Level dollar payment
Remaining amortization period	22 years
Asset valuation method	Market
Discount rate	3.071% - 2018, 2.878% - 2017; 2.093% - 2016; 3.208% 2015 and 2014
Inflation	3.50%
Salary increases	4.5% average per year of employment and increase 2.5% per year of aggregate payroll
Investment rate of return	6.50%
Retirement age	It has been assumed that retirements will not occur at any one age, but that the plan will experience retirements at different rates from age 50 through age 69. It is assumed that everyone will retire by the age of 69.
Mortality	For pre-retirement and post-retirement mortality, the rates of the 2018 Applicable Mortality Table (Optional Combined Table for Small Plans) were used. This table is a recent study of group annuitant mortality and should be representative of the pension plan's experience.

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

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 2,290,510	\$ 2,051,900	\$ 2,190,104	\$ 138,204
Sales taxes	3,157,520	3,441,065	3,402,032	(39,033)
Other taxes	16,100	18,820	18,817	(3)
Licenses and permits	391,100	392,540	392,543	3
Franchise fees	249,810	307,965	307,975	10
Intergovernmental	407,270	577,700	712,784	135,084
Charges for services	97,400	116,455	116,458	3
Fines	150,000	158,485	158,483	(2)
Interest	120	1,580	1,585	5
Miscellaneous	124,900	582,660	588,258	5,598
Total revenues	<u>6,884,730</u>	<u>7,649,170</u>	<u>7,889,039</u>	<u>239,869</u>
Expenditures:				
Current -				
General government	3,067,130	3,161,415	3,098,133	63,282
Public safety	5,433,030	5,371,080	5,383,630	(12,550)
Public works	1,589,850	1,577,925	1,578,945	(1,020)
Airport	123,000	133,760	103,359	30,401
Intergovernmental	278,930	266,045	266,505	(460)
Total expenditures	<u>10,491,940</u>	<u>10,510,225</u>	<u>10,430,572</u>	<u>79,653</u>
Deficiency of revenues over expenditures	(3,607,210)	(2,861,055)	(2,541,533)	319,522
Other financing sources (uses):				
Proceeds from disposal of capital assets	-	1,175	1,175	-
Transfers to other funds	(111,830)	(74,000)	(74,000)	-
Transfers from other funds	3,719,040	3,183,450	3,186,840	3,390
	<u>3,607,210</u>	<u>3,110,625</u>	<u>3,114,015</u>	<u>3,390</u>
Net change in fund balance	<u>-</u>	<u>249,570</u>	<u>572,482</u>	<u>322,912</u>
Fund balance, beginning	<u>-</u>	<u>82,875</u>	<u>82,875</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 332,445</u>	<u>\$ 655,357</u>	<u>\$ 322,912</u>

See accompanying independent auditor's report.

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
INDUSTRIAL COMPLEX SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Sales Taxes	\$ 536,730	\$ 585,105	\$ 586,801	\$ 1,696
Interest	500	950	947	(3)
Total revenues	<u>537,230</u>	<u>586,055</u>	<u>587,748</u>	<u>1,693</u>
Expenditures:				
Economic Development	213,350	175,710	177,616	(1,906)
Capital Outlay	1,900,000	89,730	50,029	39,701
Total expenditures	<u>2,113,350</u>	<u>265,440</u>	<u>227,645</u>	<u>37,795</u>
Excess of revenues over expenditures	(1,576,120)	320,615	360,103	39,488
Other financing uses:				
Transfers out to other funds	(25,000)	(25,000)	(25,000)	-
	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balance	<u>(1,601,120)</u>	<u>295,615</u>	<u>335,103</u>	<u>39,488</u>
Fund balance, beginning	<u>1,653,463</u>	<u>1,751,034</u>	<u>1,751,034</u>	<u>-</u>
Fund balance, ending	<u>\$ 52,343</u>	<u>\$ 2,046,649</u>	<u>\$ 2,086,137</u>	<u>\$ 39,488</u>

See accompanying independent auditor's report.

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
LANDFILL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Advalorem taxes	\$ 374,050	\$ 366,925	\$ 387,568	\$ 20,643
Interest	20	90	91	1
Total revenues	<u>374,070</u>	<u>367,015</u>	<u>387,659</u>	<u>20,644</u>
Expenditures:				
Current - Landfill	<u>374,070</u>	<u>370,000</u>	<u>400,323</u>	<u>(30,323)</u>
Total expenditures	<u>374,070</u>	<u>370,000</u>	<u>400,323</u>	<u>(30,323)</u>
Excess (deficiency) of revenues over expenditures	-	(2,985)	(12,664)	(9,679)
Net change in fund balance	<u>-</u>	<u>(2,985.0)</u>	<u>(12,664)</u>	<u>(9,679)</u>
Fund balance, beginning	<u>(367,507)</u>	<u>(443,457)</u>	<u>(443,457)</u>	<u>-</u>
Fund balance, ending	<u>\$ (367,507)</u>	<u>\$ (446,442)</u>	<u>\$ (456,121)</u>	<u>\$ (9,679)</u>

See accompanying independent auditor's report.

Other Supplemental Information

CITY OF BOGALUSA
SCHEDULE OF REVENUES (BUDGET TO ACTUAL)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Taxes:				
Ad valorem taxes	\$ 2,290,510	\$ 2,051,900	\$ 2,190,104	\$ 138,204
Sales tax	3,157,520	3,441,065	3,402,032	(39,033)
Beer tax	16,000	18,590	18,587	(3)
Tax certificates	100	230	230	-
Total taxes	<u>5,464,130</u>	<u>5,511,785</u>	<u>5,610,953</u>	<u>99,168</u>
Licenses and permits:				
Occupational licenses and interest	380,000	380,530	380,531	1
Alcoholic beverages licenses and permits	11,000	7,710	7,710	-
Electrical permits	100	750	750	-
Miscellaneous Permits	-	300	302	2
Burial Permits and other	-	3,250	3,250	-
Total licenses and permits	<u>391,100</u>	<u>392,540</u>	<u>392,543</u>	<u>3</u>
Franchise fees				
Entergy Electrical	170,000	191,105	191,109	4
Centerpoint Natural Gas	65,000	88,970	88,974	4
Charter Cable TV	2,000	5,305	5,305	-
Bell South / AT&T Franchise Fee	12,200	21,975	21,973	(2)
Southern Lighting of LA	610	610	614	4
Total franchise fees	<u>249,810</u>	<u>307,965</u>	<u>307,975</u>	<u>10</u>
Intergovernmental:				
State Supplemental Pay	294,200	358,050	358,052	2
Federal Emergency Management Agency	-	-	135,090	135,090
L/CLE Receipts	-	390	391	1
Airport State Grant	-	8,070	8,067	(3)
Louisiana Safety Commission Grant	38,070	41,695	41,696	1
Louisiana Facilities Planning	-	45,980	45,976	(4)
Bogalusa School Board	-	26,485	26,484	(1)
Department of Justice Grant	75,000	68,680	68,678	(2)
UNO Research Grant	-	28,350	28,350	-
Total intergovernmental	<u>\$ 407,270</u>	<u>\$ 577,700</u>	<u>\$ 712,784</u>	<u>\$ 135,084</u>

See accompanying independent auditor's report

(continued)

CITY OF BOGALUSA
SCHEDULE OF REVENUES (BUDGET TO ACTUAL)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Charges for services:				
Zoning change charges	\$ 1,000	\$ 275	\$ 275	\$ -
Wreck and fire reports	5,900	6,380	6,383	3
Pound fees	300	210	210	-
Witness fees	6,700	3,280	3,280	-
Recording deeds	(2,700)	(9,950)	(9,950)	-
Research fees	3,500	2,530	2,529	(1)
Bonding fees	19,300	29,210	29,210	-
Fingerprint fees	2,900	3,095	3,095	-
Archon collection fee	60,000	81,400	81,401	1
Miscellaneous	500	25	25	-
Total charges for services	97,400	116,455	116,458	3
Fines and Penalties				
Court Fines	150,000	158,485	158,483	(2)
Total fines	150,000	158,485	158,483	(2)
Interest:				
Interest Earned	100	310	312	2
Cassidy Park Campground Donations & Interest	-	1,240	1,242	2
Main Street Donations & Interest	-	-	1	1
Retirement Interest Earned	20	30	30	-
Total interest earned	120	1,580	1,585	5
Miscellaneous:				
2% fire insurance	65,000	59,200	59,200	-
Cemetery plot sales	10,000	19,200	19,200	-
Airport income	-	2,750	2,750	-
Chemical Release Funds	-	436,500	436,499	(1)
Returned checks charges	1,000	440	440	-
Police seized funds	5,000	3,850	3,850	-
Over and short	-	(100)	(99)	1
ATM rent	300	150	150	-
Sale of adjudicated property	30,000	1,520	1,522	2
Xerox receipts	100	40	34	(6)
Rental Income	900	940	938	(2)
Centennial Jubilee Receipts	-	230	230	-
Worker's Compensation Reimbursement	5,000	5,160	5,164	4
Other miscellaneous revenue	7,600	52,780	58,380	5,600
Total miscellaneous	124,900	582,660	588,258	5,598
TOTAL REVENUES	\$ 6,884,730	\$ 7,649,170	\$ 7,889,039	\$ 239,869 (concluded)

See accompanying independent auditor's report

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES (BUDGET TO ACTUAL)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
General Government:				
<i>City Council:</i>				
Salaries and wages	\$ 79,500	\$ 79,810	\$ 80,118	\$ (308)
Contract overtime	990	990	989	1
Overtime	500	-	-	-
Supplies and expense	2,400	8,080	8,080	-
Employee group insurance	8,400	7,810	7,808	2
Auditing fees	55,000	81,170	81,172	(2)
Publications	14,000	15,320	15,321	(1)
City Employment Retirement System	3,300	3,280	3,278	2
Payroll Tax Expense	4,340	4,335	4,335	-
Total City Council	168,430	200,795	201,101	(306)
<i>Mayor's Office:</i>				
Salaries and wages	139,560	134,905	135,411	(506)
Contract overtime	1,020	1,025	1,025	-
Overtime	-	305	319	(14)
Supplies and expense	8,020	18,770	18,769	1
Gas and oil	2,480	2,060	2,058	2
Employee group insurance	16,790	21,470	21,471	(1)
Travel	1,000	915	916	(1)
Dues and subscriptions	-	3,760	3,762	(2)
City Employment Retirement System	3,360	3,420	3,420	-
Mayor's Municipal State Retirement System	18,510	18,975	18,972	3
Payroll Tax Expense	4,210	3,860	3,860	-
Total Mayor's Office	194,950	209,465	209,983	(518)
<i>City Attorney:</i>				
Legal and professional	24,000	26,000	26,000	-
Total City Attorney	24,000	26,000	26,000	-
<i>City Prosecutor:</i>				
Salaries and wages	53,570	53,560	53,765	(205)
Contract overtime	1,020	1,025	1,024	1
Overtime	1,000	1,280	1,278	2
Supplies and expense	500	70	69	1
Employee group insurance	8,400	7,810	7,808	2
City Employment Retirement System	3,480	3,490	3,486	4
Payroll Tax Expense	2,300	2,300	2,298	2
Total City Prosecutor	\$ 70,270	\$ 69,535	\$ 69,728	\$ (193)

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES (BUDGET TO ACTUAL)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Personnel:				
Salaries and wages	\$ 44,050	\$ 44,045	\$ 44,214	\$ (169)
Supplies and expense	500	375	372	3
Employee group insurance	8,400	7,810	7,808	2
Travel	-	60	58	2
City Employment Retirement System	4,850	4,845	4,845	-
Payroll Tax Expense	-	-	1	(1)
Total personnel	57,800	57,135	57,298	(163)
Administration and Finance:				
Salaries and wages	289,550	327,280	328,410	(1,130)
Contract overtime	5,600	5,845	5,843	2
Overtime	2,170	2,205	2,214	(9)
Uniform expense	2,100	2,100	2,100	-
Supplies and expense	20,940	54,495	54,494	1
Gas and oil	300	120	90	30
Employee group insurance	67,180	62,460	62,462	(2)
Travel	300	240	241	(1)
Contract labor - pension records	15,000	13,000	13,000	-
City Employment Retirement System	30,340	29,080	29,077	3
Payroll Tax Expense	4,410	4,970	4,971	(1)
Total administration and finance	437,890	501,795	502,902	(1,107)
Purchasing:				
Salaries and wages	29,360	29,365	29,476	(111)
Supplies and expense	500	880	876	4
Advertising	10,000	12,370	12,368	2
City Employment Retirement System	3,230	3,230	3,230	-
Payroll Tax Expense	430	430	426	4
Total purchasing	\$ 43,520	\$ 46,275	\$ 46,376	\$ (101)

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES (BUDGET TO ACTUAL)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<i>General and Administrative:</i>				
City Employment Retirement System	\$ 195,780	\$ -	\$ -	\$ -
Interest expense	5,500	7,940	4,502	3,438
Insurance expense	1,057,250	1,224,570	1,211,493	13,077
Legal and other professional	150,000	178,350	178,350	-
Utilities expense	418,620	326,800	326,801	(1)
Coronor's expense	16,000	30,515	30,512	3
Wash. Parish Veterans Office	12,960	12,750	12,750	-
Municipal fire and police - civil service	4,100	3,930	3,926	4
Police witness fees	-	-	100	(100)
Bonding fees expense	20,000	24,670	24,670	-
Assessor's expenses	-	6,360	6,360	-
Advertising	15,000	-	-	-
Youth Services	-	1,550	1,547	3
Miscellaneous	39,000	47,790	50,994	(3,204)
Election expense	5,000	14,650	14,650	-
Planning and zoning	4,840	3,600	3,600	-
ICON/Believe	1,500	1,500	1,500	-
Sales Tax Collection Expense	45,720	48,865	-	48,865
Centennial Jubilee and beautification expenses	1,000	1,110	1,109	1
City beautification project	1,000	3,970	3,969	1
ARCHON Information Services	60,000	71,145	71,144	1
Demolition Expenses	5,000	-	-	-
Grant Expenses	-	28,350	28,350	-
FEMA Repayment	12,000	12,000	-	12,000
March Flood Expenses	-	-	8,418	(8,418)
Total general and administrative	2,070,270	2,050,415	1,984,745	65,670
Total general government	\$ 3,067,130	\$ 3,161,415	\$ 3,098,133	\$ 63,282

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES (BUDGET TO ACTUAL)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Public Safety				
<i>Police:</i>				
Salaries and wages	\$ 1,463,740	\$ 1,484,040	\$ 1,489,985	\$ (5,945)
Contract overtime	149,100	143,190	143,188	2
Overtime	185,000	180,015	181,860	(1,845)
State supplemental pay	197,000	175,035	175,035	-
Uniform allowance	14,750	15,800	15,801	(1)
Supplies and expense	63,750	61,075	61,076	(1)
Signs and maintenance	5,000	3,100	3,101	(1)
Gas and oil	61,710	59,280	59,278	2
Employee group insurance	352,710	306,455	306,456	(1)
Travel	1,500	14,515	14,514	1
Repairs - equipment and radios	5,000	1,080	1,076	4
Equipment	-	140,060	140,059	1
Narcotics investigations	-	500	500	-
Education and training	5,000	4,425	4,425	-
City Employment Retirement System	2,970	2,985	2,983	2
Police State Pension	514,680	511,400	511,400	-
Payroll Tax Expense	28,930	27,850	27,850	-
<i>Total police</i>	<u>3,050,840</u>	<u>3,130,805</u>	<u>3,138,587</u>	<u>(7,782)</u>
<i>Fire:</i>				
Salaries and wages	1,193,520	1,099,575	1,103,898	(4,323)
Contract overtime	123,900	118,250	118,251	(1)
Overtime	85,200	197,610	198,059	(449)
Holiday pay	70,000	-	-	-
State supplemental pay	175,000	171,015	171,017	(2)
Uniform allowance	11,300	10,635	10,634	1
Supplies and expense	11,090	22,640	22,642	(2)
Equipment	-	4,610	4,609	1
Gas and oil	13,880	15,150	15,153	(3)
Employee group insurance	268,740	227,730	227,728	2
Travel	1,000	3,140	3,136	4
Repair - equipment	12,500	3,040	3,038	2
Education and training	5,000	16,000	16,000	-
Fire State Pension	387,170	328,755	328,753	2
Payroll Tax Expense	23,890	22,125	22,125	-
<i>Total fire</i>	<u>2,382,190</u>	<u>2,240,275</u>	<u>2,245,043</u>	<u>(4,768)</u>
Total public safety	<u>\$ 5,433,030</u>	<u>\$ 5,371,080</u>	<u>\$ 5,383,630</u>	<u>\$ (12,550)</u>

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES (BUDGET TO ACTUAL)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Public Works				
<i>Public works - central:</i>				
Salaries and wages	\$ 721,830	\$ 681,100	\$ 681,819	\$ (719)
Overtime	27,980	90,160	90,215	(55)
Contract overtime	1,830	1,830	1,830	-
Allowance - rainsuits, clothing	1,680	1,890	1,890	-
Supplies and expense	31,620	44,005	44,005	-
Equipment	25,000	19,785	19,784	1
Gas and oil	54,900	58,215	58,213	2
Tools and Equipment	25,000	6,345	6,344	1
Cemetery maintenance materials	8,000	13,485	13,486	(1)
Uniform expense	21,800	29,115	29,114	1
Employee group insurance	218,350	164,615	164,614	1
Travel	500	680	679	1
Education & Training	500	-	-	-
Repairs - equipment	500	1,400	1,397	3
City Employment Retirement System	69,500	62,795	62,795	-
Payroll Tax Expense	14,790	14,300	14,300	-
Total public works - central	1,223,780	1,189,720	1,190,485	(765)
<i>Public works - electrical:</i>				
Salaries and wages	41,130	41,125	41,283	(158)
Overtime	2,000	10,095	10,173	(78)
Allowance - rainsuits, clothing	70	130	130	-
Supplies and expense	5,000	13,460	13,495	(35)
Tools and equipment	500	330	327	3
Employee group insurance	8,400	7,810	7,808	2
City Employment Retirement System	4,740	5,580	5,581	(1)
Payroll Tax Expense	630	745	744	1
Total public works - electrical	62,470	79,275	79,541	(266)
<i>Public works - motor pool:</i>				
Salaries and wages	104,910	105,090	105,090	-
Overtime	3,430	18,265	18,265	-
Allowance - rainsuits, clothing	280	280	280	-
Supplies and expense	21,260	21,405	21,402	3
Tools and equipment	6,500	4,715	4,715	-
Gas and oil	8,540	7,900	7,900	-
Employee group insurance	33,590	31,235	31,231	4
Vehicle maintenance - general	3,000	405	404	1
Vehicle maintenance - police	44,000	47,090	47,091	(1)
Vehicle maintenance - fire	10,000	30,705	30,705	-
Vehicle maintenance - public works	57,000	28,670	28,668	2
Licenses - chauffeurs	500	780	781	(1)
City Employment Retirement System	9,020	10,600	10,596	4
Payroll Tax Expense	1,570	1,790	1,791	(1)
Total public works - motor pool	303,600	308,930	308,919	11
Total public works	\$ 1,589,850	\$ 1,577,925	\$ 1,578,945	\$ (1,020)

See accompanying independent auditor's report.

(continued)

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES (BUDGET TO ACTUAL)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Airport:				
Salaries and wages	\$ 41,460	\$ 41,485	\$ 41,647	\$ (162)
Employee group insurance	8,400	7,810	7,808	2
Insurance	-	1,515	1,515	-
Utilities	40,400	38,540	38,541	(1)
Maintenance	18,270	24,500	(6,057)	30,557
Supplies and expense	2,370	7,725	7,724	1
Travel	200	895	894	1
Gas & oil	1,630	2,575	2,577	(2)
City Employment Retirement System	4,560	4,565	4,563	2
Payroll Tax Expense	600	605	602	3
Insurance-Property Damage	5,110	3,545	3,545	-
Total airport	<u>123,000</u>	<u>133,760</u>	<u>103,359</u>	<u>30,401</u>
Intergovernmental :				
City court personnel compensation	189,030	186,460	186,917	(457)
City court supplies and expense	89,900	79,585	79,588	(3)
Total intergovernmental	<u>278,930</u>	<u>266,045</u>	<u>266,505</u>	<u>(460)</u>
TOTAL EXPENDITURES	<u>\$ 10,491,940</u>	<u>\$ 10,510,225</u>	<u>\$ 10,430,572</u>	<u>\$ 79,653</u> (concluded)

See accompanying independent auditor's report.

Non-Major Governmental Funds

CITY OF BOGALUSA, LOUISIANA
Non-Major Governmental Funds
December 31, 2018

Special Revenue Funds

Employee Pay Raise Sales Tax - Accounts for the receipt of a 1/2 cent sales and use tax. The proceeds are dedicated to the purpose of paying salaries and benefits of City employees. The tax is for an indefinite period.

Street Improvement Sales Tax - Accounts for the receipt of 25% of a one-cent sales and use tax. The proceeds are dedicated to street and drainage repair, maintenance, operation and additions.

Capital Improvement Sales Tax - Accounts for the receipt of 15% of a one-cent sales and use tax. The proceeds are dedicated to the acquisition, operation, and maintenance of land, buildings, and equipment.

Industrial Complex Rent/Lease - Accounts for the receipt of rent from the Industrial Park. Expenditures are not legally restricted for any certain purpose.

Youth Recreation and Parks - Accounts for the receipt of 50% of a 4-mill ad valorem tax dedicated for acquiring, constructing, improving, operating and maintaining parks and recreation facilities.

Jail Operations Sales Tax - Accounts for the receipt of one-third of one percent (1/3%) sales and use tax dedicated for improvements, maintenance and operation of the City Jail, including, but not limited to, the construction of additions to or expansions of the existing Bogalusa City Jail and for purchasing, maintaining and operating related equipment.

LCDBG Fund - Accounts for the receipt of the LCDBG grant dedicated to improvements and renovations of the water tower owned by the City.

Brownfields Assessment Grant Fund - Accounts for the receipt of Brownfields Assessment grant funds used for Type I assessments of property to be used for commercial purposes.

Retirement Special Fund - Accounts for the receipt of ad-valorem and sales tax dedicated to a retirement fund for the City's employees.

Retirement Special Fund - Accounts for the receipt of taxes that are dedicated for the City of Bogalusa Employees' Retirement System.

Municipal Building Fund - Accounts for the receipt of a 2-mill ad-valorem tax dedicated to improvements and renovations to existing structures owned by the City.

Capital Projects Fund

Airport Expansion Fund - Accounts for the federal grant revenues and expenditures thereof for capital improvements at the George R. Carr Memorial Airport.

Debt Service Funds

General Obligation Bond Sinking Fund #1 - Accumulates monies for payment of the \$2,200,000 General Obligations Revenue Bonds, Series 2012 for refunding of Series 1998 Bonds

General Obligation Bond Sinking Fund #4 - Accumulates monies for payment of the \$1,750,000 General Obligations Revenue Bonds, Series 2007 for street overlay.

**CITY OF BOGALUSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	Special Revenue Funds						
	Employee Pay Raise Sales Tax Fund	Street Improvement Sales Tax Fund	Capital Improvement Sales Tax Fund	Industrial Complex Rent/Lease Fund	Youth Recreation and Parks Fund	Jail Operations Sales Tax Fund	LCDBG Fund
ASSETS							
Cash and cash equivalents	\$ 19	\$ 53,513	\$ 155,299	\$ 5,042	\$ 109,378	\$ 56,664	\$ 100
Property taxes receivable	-	-	-	-	37,486	-	-
Accounts receivable	127,299	63,649	38,140	1,500	-	84,250	-
Due from other funds	-	-	179,321	205,912	6,639	1,624	21,924
Prepaid Expenses and Other Assets	-	-	-	-	-	350	-
Restricted assets:							
Cash and cash equivalents	-	-	-	-	-	-	-
TOTAL ASSETS	127,318	117,162	372,760	212,454	153,503	142,888	22,024
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 127,318	\$ 117,162	\$ 372,760	\$ 212,454	\$ 153,503	\$ 142,888	\$ 22,024
LIABILITIES							
Accounts payable	\$ -	\$ 16,717	\$ 31,323	\$ -	\$ 1,477	\$ 8,358	\$ -
Accrued expenses	-	-	-	-	856.00	12,198	-
Due to other funds	126,318	63,135	-	-	278,523	41,750	21,924
TOTAL LIABILITIES	126,318	79,852	31,323	-	280,856	62,306	21,924
DEFERRED INFLOWS OF RESOURCES							
Unearned revenue	-	-	-	-	3,703	-	-
FUND BALANCES							
Non-spendable	-	-	-	-	-	350	-
Restricted for:							
Capital projects	-	-	341,437	-	-	-	-
Special programs	1,000	37,310	-	212,454	-	80,582	100
Unassigned	-	-	-	-	(131,056)	-	-
TOTAL FUND BALANCES	1,000	37,310	341,437	212,454	(131,056)	80,582	100
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 127,318	\$ 117,162	\$ 372,760	\$ 212,454	\$ 153,503	\$ 142,888	\$ 22,024

(continued)

See accompanying independent auditor's report

CITY OF BOGALUSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue Funds			Capital Projects Fund	Debt Service Funds		Total Non-Major Governmental Funds
	Brownsfield Assessment Grant Fund	Retirement Special Mill Fund	Municipal Building Fund	Airport Expansion Fund	General Obligation Bond Sinking Fund #1	General Obligation Bond Sinking Fund #4	
ASSETS							
Cash and cash equivalents	\$ 5	\$ 161,635	\$ 116,186	\$ 4	\$ 180	\$ 162,860	\$ 820,885
Property taxes receivable	-	51,284	37,486	-	693	51,102	178,051
Accounts receivable	-	-	-	111,725	-	-	426,563
Due from other funds	-	1,327	193,554	20,924	-	181,762	812,987
Prepaid Expenses	-	-	-	-	-	-	350
TOTAL ASSETS	<u>5</u>	<u>214,246</u>	<u>347,226</u>	<u>132,653</u>	<u>873</u>	<u>395,724</u>	<u>2,238,836</u>
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 5</u>	<u>\$ 214,246</u>	<u>\$ 347,226</u>	<u>\$ 132,653</u>	<u>\$ 873</u>	<u>\$ 395,724</u>	<u>\$ 2,238,836</u>
LIABILITIES							
Accounts payable	\$ -	\$ 209,180	\$ 7,237	\$ -	\$ -	\$ -	\$ 274,292
Accrued expenses	-	-	-	-	-	-	13,054
Due to other funds	-	-	93	132,653	873	94,368	759,637
TOTAL LIABILITIES	<u>-</u>	<u>209,180</u>	<u>7,330</u>	<u>132,653</u>	<u>873</u>	<u>94,368</u>	<u>1,046,983</u>
DEFERRED INFLOWS OF RESOURCES							
Property taxes unavailable for current year	-	5,066	3,703	-	-	5,066	17,538
FUND BALANCES							
Non-spendable	-	-	-	-	-	-	350
Restricted for:							
Debt service	-	-	-	-	-	296,290	296,290
Capital projects	-	-	-	-	-	-	341,437
Maintenance	-	-	336,193	-	-	-	336,193
Special programs	5	-	-	-	-	-	331,451
Unassigned	-	-	-	-	-	-	(131,056)
TOTAL FUND BALANCES	<u>5</u>	<u>-</u>	<u>336,193</u>	<u>-</u>	<u>-</u>	<u>296,290</u>	<u>1,174,315</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 5</u>	<u>\$ 214,246</u>	<u>\$ 347,226</u>	<u>\$ 132,653</u>	<u>\$ 873</u>	<u>\$ 395,724</u>	<u>\$ 2,238,836</u> (concluded)

See accompanying independent auditor's report

CITY OF BOGALUSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue Funds						LCDBG Fund
	Employee Pay Sales Tax Fund	Street Improvement Sales Tax Fund	Capital Improvement Sales Tax Fund	Industrial Complex Rent/Lease Fund	Youth Recreation and Parks Fund	Jail Operations Sales Tax Fund	
Revenues:							
Ad valorem Taxes	\$ -	\$ -	\$ -	\$ -	\$ 155,021	\$ -	\$ -
Sales Taxes	1,173,600	586,800	351,612	-	-	774,327	-
Intergovernmental	-	-	-	-	-	39,266	266,712
Interest	3	20	53	11	16	10	-
Rent	-	-	-	369,777	-	-	-
Miscellaneous	-	-	3,610	-	17,915	35,535	-
Total revenues	<u>1,173,603</u>	<u>586,820</u>	<u>355,275</u>	<u>369,788</u>	<u>172,952</u>	<u>849,138</u>	<u>266,712</u>
Expenditures:							
Current:							
Public safety	-	-	-	-	-	887,498	-
Public works	-	445,950	79,887	-	-	-	-
Culture and Recreation	-	-	-	-	204,848	-	-
Economic Development	-	-	-	60,250	-	-	-
Capital outlay	-	84,735	121,349	-	-	-	-
Capital lease payments	-	-	60,000	-	-	-	-
Interest	-	-	8,501	-	-	-	-
Total expenditures	<u>-</u>	<u>530,685</u>	<u>269,737</u>	<u>60,250</u>	<u>204,848</u>	<u>887,498</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	1,173,603	56,135	85,538	309,538	(31,896)	(38,360)	266,712
Other financing sources (uses):							
Transfers to other funds	(1,173,603)	-	-	(318,000)	-	-	(266,712)
Transfers from other funds	-	-	-	-	88,000	45,000	-
	<u>(1,173,603)</u>	<u>-</u>	<u>-</u>	<u>(318,000)</u>	<u>88,000</u>	<u>45,000</u>	<u>(266,712)</u>
Net change in fund balance	-	56,135	85,538	(8,462)	56,104	6,640	-
Fund balance (deficit), beginning	1,000	(18,825)	255,899	220,916	(187,160)	73,942	100
Fund balance (deficit), ending	<u>\$ 1,000</u>	<u>\$ 37,310</u>	<u>\$ 341,437</u>	<u>\$ 212,454</u>	<u>\$ (131,056)</u>	<u>\$ 80,582</u>	<u>\$ 100</u>

See accompanying independent auditor's report

(continued)

CITY OF BOGALUSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue Funds			Capital Projects Fund	Debt Service Funds		Total Non- Major Governmental Funds
	Brownsfield Assessment Grant Fund	Retirement Special Fund	Municipal Building Fund	Airport Expansion Fund	General Obligation Bond Sinking Fund #1	General Obligation Bond Sinking Fund #4	
Revenues:							
Ad valorem Taxes	\$ -	\$ 211,309	\$ 154,875	\$ -	\$ 8,069	\$ 209,851	\$ 739,125
Sales Taxes	-	-	-	-	-	-	2,886,339
Intergovernmental	44,659	-	-	671,622	-	-	1,022,259
Interest	-	-	23	-	29	31	196
Rent	-	-	-	-	-	-	369,777
Miscellaneous	-	-	-	-	-	-	57,060
Total revenues	<u>44,659</u>	<u>211,309</u>	<u>154,898</u>	<u>671,622</u>	<u>8,098</u>	<u>209,882</u>	<u>5,074,756</u>
Expenditures:							
Current -							
General government	-	211,309	-	-	-	-	211,309
Public safety	-	-	-	-	-	-	887,498
Public works	-	-	-	-	-	-	525,837
Culture and Recreation	-	-	66,808	-	-	-	271,656
Economic Development	44,659	-	-	-	-	-	104,909
Airport	-	-	-	28,251	-	-	28,251
Capital outlay	-	-	-	643,371	-	-	849,455
Debt Service -							
Capital lease payments	-	-	-	-	-	-	60,000
Principal	-	-	-	-	390,000	135,000	525,000
Interest	-	-	-	-	4,875	30,163	43,539
Total expenditures	<u>44,659</u>	<u>211,309</u>	<u>66,808</u>	<u>671,622</u>	<u>394,875</u>	<u>165,163</u>	<u>3,507,454</u>
Excess (deficiency) of revenues over expenditures	-	-	88,090	-	(386,777)	44,719	1,567,302
Other financing sources (uses):							
Transfers to other funds	-	-	-	-	-	(158,791)	(1,917,106)
Transfers from other funds	-	-	-	-	158,791	-	291,791
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,791</u>	<u>(158,791)</u>	<u>(1,625,315)</u>
Net change in fund balance	-	-	88,090	-	(227,986)	(114,072)	(58,013)
Fund balance (deficit), beginning	<u>5</u>	<u>-</u>	<u>248,103</u>	<u>-</u>	<u>227,986</u>	<u>410,362</u>	<u>1,232,328</u>
Fund balance, ending	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 336,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,290</u>	<u>\$ 1,174,315</u>
See accompanying independent auditor's report.							(concluded)

Schedule Required by State Law LSA RS 24:513A(1)(a)(3)

CITY OF BOGALUSA, LOUISIANA
Schedule Required by State Law LSA RS 24:513A(1)(a)(3):
Schedule of Compensation, Benefits and Other Payments to Agency Head
December 31, 2018

The following schedule is required by Louisiana State Law LSA RS 24:513(1)(a)(3) on compensation and benefits paid to the agency head:

Agency Head Name: Wendy O'Quin Perrette, Mayor

Purpose	Amount
Salary	\$ 74,751
Benefits-insurance - health	7,808
Benefits-insurance - life	189
Benefits-retirement	18,972
Payroll Taxes	1,084
Car Allowance	2,058
Reimbursement or fuel	39
Per diem	100
Travel	816
Membership dues(LMA)	3,762
	<hr/>
	\$ 109,579
	<hr/>

See accompanying independent auditor's report.

Information Required by Debt Agreements

CITY OF BOGALUSA, LOUISIANA

SCHEDULE OF INSURANCE IN FORCE
DECEMBER 31, 2018
(UNAUDITED)

Policy	Insurance Company	Term	Policy #	Coverage
Property/inland Marine	Scottsdale Insurance Company	3/25/2017 - 3/25/2018	CPS2627404	Various
		3/25/2018 - 3/25/2019	CPS279914	Various
		3/25/2019 - 3/25/2020	CPX2978250	Various
Electronic Equipment	Liberty Mutual	1/1/2017 - 1/1/2018	IM8107636	577,000
		1/1/2018 - 1/1/2019	IM8107636	577,000
		1/1/2019 - 1/1/2020	IM8107636	577,000
Equipment Breakdown	Travelers	1/1/2017 - 1/1/2018	M5J-BM1-1942X304-TIL17	100,000 each
		1/1/2018 - 1/1/2019	M5J-BM1-1942X304-TIL18	100,000 each
		1/1/2019 - 1/1/2020	M5J-BM1-1942X304-TIL19	100,000 each
Crime	Travelers	2/12/2017 - 2/12/2020	105562262	75,000
Airport Liability Lessor's Risk Only	Old Republic Insurance Company	11/1/2016 - 11/1/2017	PR 00258804	2,000,000 each
		11/1/2017 - 11/1/2018	PR 00258805	2,000,000 each
		11/1/2018 - 11/1/2019	PR 00258805	2,000,000 each
Worker's Compensation	LA Muni Risk Mgmt Agency	1/1/2018 - 1/1/2019	70-0289-16524	STATUTORY
		1/1/2019 - 1/1/2020	70-1026-2019-16963	STATUTORY
Commerical Liability	LA Muni Risk Mgmt Agency	2/14/2017 - 2/14/2019	100-0330-00015419	500,000 each
		2/14/2019 - 2/14/2020	1026-2019-16996	500,000 each
Law Enforcement Liability	LA Muni Risk Mgmt Agency	2/14/2017 - 2/14/2019	100-0330-00015419	500,000 each
		2/14/2019 - 2/14/2020	1026-2019-16996	500,000 each
Automotive	LA Muni Risk Mgmt Agency	2/14/2017 - 2/14/2019	100-0330-00015419	500,000 each
		2/14/2019 - 2/14/2020	1026-2019-16996	500,000 each
Automotive	Houston Specialty Insurance Co.	3/7/2017 - 3/7/2018	HSLR18-00073-06	Various
		3/7/2018 - 3/7/2019	HSLR18-00073-07	Various
		3/7/2019 - 3/7/2020	HSLR18-00073-08	Various
		4/1/2019 - 4/1/2020	HSLR18-06805-00	500,000
		4/1/2019 - 4/1/2020	HSLR18-06801-00	500,000
Errors and Omissions	LA Muni Risk Mgmt Agency	2/14/2017 - 2/14/2019	100-0330-00015419	500,000 each

See accompanying independent auditor's report.

CITY OF BOGALUSA, LOUISIANA

PUBLIC UTILITY SYSTEM OPERATIONS

DECEMBER 31, 2018

(UNAUDITED)

Statistics on System Operations

- (a) As of **December 31, 2018**, there were 4,874 total metered customers for the water system.
- (b) The following rate schedules were in effect during the fiscal year for water services:

Water:

	<u>Residential and Commercial Inside City</u>	<u>Residential and Commercial Outside City</u>
First 3,000 gallons	\$ 15.44	\$ 30.88
Per additional 1,000 gallons	\$ 2.47	\$ 4.94

- (c) Average monthly billing per residential customer was:

Water, Sewer and Garbage Collection \$ 61.89

- (d) Average monthly billing per commercial customer was:

Water, Sewer and Garbage Collection \$ 240.34

See accompanying independent auditor's report.

Other Reports

ROBERT A. NEILSON
CERTIFIED PUBLIC ACCOUNTANT, L.L.C.

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

To the Honorable Wendy O'Quin Perrette, Mayor
And the Members of the City Council
City of Bogalusa, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bogalusa, Louisiana (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City of Bogalusa's basic financial statements and have issued my report thereon dated June 30, 2019.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, 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.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-009 and 2018-010 to be material weaknesses.

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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-008 and 2018-011 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 our audit, and accordingly, I do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-007.

City of Bogalusa's Responses to Findings

The City of Bogalusa's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The City of Bogalusa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Bogalusa, Louisiana
June 30, 2019

ROBERT A. NEILSON

CERTIFIED PUBLIC ACCOUNTANT, L.L.C.

ROBERT A. NEILSON

MEMBER

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

To the Honorable Wendy O'Quin Perrette, Mayor
And the Members of the City Council
City of Bogalusa, Louisiana

Report on Compliance for Each Major Federal Program

I have audited City of Bogalusa, Louisiana's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on major federal program

In my opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2018.

Other Matters

The results of my auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule

of findings and questioned costs as item 2018-012. My opinion on the major federal program is not modified with respect to this matter.

The City's responses to the noncompliance findings identified in my audit are 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 compliance and, accordingly, I express no opinion on the response.

Report on Internal Control over Compliance

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be a material weakness and a significant deficiency.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-012 that I consider to be a significant deficiency.

The City's responses to the internal control over compliance findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the responses.

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

A handwritten signature in blue ink, appearing to read "Robert H. Nelson".

Bogalusa, Louisiana
June 30, 2019

CITY OF BOGALUSA, LOUISIANA
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME</u>	<u>CFDA Number</u>	<u>Expenditures</u>
United States Department of Housing and Urban Development Passed Through Louisiana Office of the Governor Community Development Block Grants/State's program 2013 Water System Grant	14.228	\$ 266,712
Total United States Department of Housing and Urban Development		<u>266,712</u>
United States Department of Justice Public Safety Partnership and Community Policing Grants	16.710	68,678
Passed Through the Louisiana Commission on Law Enforcement: Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>391</u>
Total United States Department of Justice		<u>69,069</u>
United States Department of Transportation Passed Through the Louisiana Department of Transportation: Airport Improvement Program	20.106	483,999
Passed Through the Louisiana Department of Public Safety and Corrections - Louisiana Highway Safety Commission		
Highway Planning and Construction	20.600 ¹	14,177
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>27,519</u>
Total United States Department of Transportation		<u>525,695</u>
United States Environmental Protection Agency Brownfields Assessment and Cleanup Cooperative Agreements	66.818	44,659
Passed Through UNO Research and Technology Foundation, Inc. Lake Pontchartrain Basin Restoration Program	66.125	<u>28,350</u>
Total United States Environmental Protection Agency		<u>73,009</u>
TOTAL FEDERAL AWARDS		<u><u>\$ 934,485</u></u>
Clusters	Cluster Total	
¹ Highway Safety Cluster	\$ 14,177	

See notes to the Schedule of Expenditures of Federal Awards.

CITY OF BOGALUSA, LOUISIANA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Note A – General

The City of Bogalusa's (the City) Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the primary government. All federal financial assistance received directly from federal agencies is included on the schedule, as well as federal financial assistance passed-through other agencies. The City of Bogalusa did not pass through any federal assistance to other entities.

Note B – Basis of Accounting

The City's Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the financial statements for the year ended December 31, 2018.

Note C – Indirect Costs

The City does not have a negotiated indirect cost rate. Also, the City elected to not use the 10% de minimis cost rate as allowed by 2 CFR 200.414 Indirect (F&A) costs.

Note D – Relationship to Financial Statements

The Schedule of Expenditures of Federal Awards (SEFA) was prepared from the same accounting records as were used to prepare the financial statements.

Federal awards are reported on the City's financial statements as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Intergovernmental Revenue	\$ 1,735,043	\$ 63,580	\$ 1,798,623
Less: State and other included in intergovernmental revenue	<u>(800,558)</u>	<u>(63,580)</u>	<u>(864,138)</u>
Total on Schedule of Expenditures of Federal Awards	<u>\$ 934,485</u>	<u>\$ -</u>	<u>\$ 934,485</u>

CITY OF BOGALUSA, LOUISIANA
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified for all opinion units presented. Adverse for the reporting entity due to the omission of discretely presented component units	
• Material weakness (es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses? reported	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

Federal Awards

Internal controls over major programs:

• Material weakness (es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none

Type of auditors’ report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
---------------------	--------------------------------

20.106	Department of Transportation Airport Improvement Program
--------	---

- The threshold for distinguishing types A & B programs was program expenditures exceeding \$750,000.
- The City of Bogalusa did **not** qualify as a low-risk auditee.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section II – Findings Affecting the Financial Statements

Noncompliance with laws, regulations, contracts and grant agreements

2018-001

Underfunded Retirement System

Criteria	State Law (R.S. 11:3031 – 3053) created the City of Bogalusa Employee’s Retirement System (COBERS) and provides for its administration. R.S. 11:3045(A) states, “The City shall make contributions to the system each year on an actuarially funded basis, toward the annuities and benefits herein provided.”
Condition	At June 30, 2018, the City’s sponsored defined benefit pension plan (COBERS) was severely underfunded. The funded ratio at June 30, 2018 was 16% and the net pension liability was \$22,244,773. This is a repeat finding.
Cause	The stock market decline of 2008 combined with other demographic conditions such as an aging workforce and longevity of retirement have caused required contribution levels to increase. The City’s budget has been unable to absorb these increases and therefore the increases have gone unfunded.
Effect	The assets held in trust are severely deficient of the amount needed to pay the pension benefits promised to employees over the long term.
Recommendation	The City should develop a plan to ensure that the retirement system is actuarially funded in accordance with state law.
Management’s Response	<p>The City’s pension plan, as is the case with many defined benefit plans throughout the nation, is critically underfunded.</p> <p>The City passed two rededications of sales taxes in the November 2018 election. These are effective as of 1/1/2019 and will provide an estimated \$542,000 of additional contributions to COBERS. The City is also exploring ways to reduce expenditures so more funds will be available to contribute to the system.</p>

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

2018-002

Violation of the Local Depositories Collateral Requirements

Criteria	Louisiana Revised Statute 39:1225 requires that deposits in banks be collateralized in full for the amount on deposit that exceeds the Federal Deposit Insurance Corporation (FDIC) coverage. If under-collateralized, either the bank or the city should request for the bank to pledge securities to cover the deficiency within 5 days.
Condition	The City has deposit accounts at a bank where the balance exceeded the FDIC coverage amount as of December 31, 2018. State law requires the amount of deposits that is in excess the federal insurance coverage to be collateralized in accordance with state law.
Cause	The City's bank did not have sufficient collateral pledged to cover the excess or the bank balances over the FDIC coverage as of December 31, 2018 as required by State Law. The Bank did subsequently pledge an additional amount on January 15, 2019 to cover the excess amount on deposit.
Effect	The City did not have adequate collateral in accordance with State law as of December 31, 2018.
Recommendation	The City should develop a plan to require the fiscal agent bank pledges collateral within 5 days of year end to ensure compliance with State Law.
Management's Response	We will notify the bank to comply with the State Law.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

2018-003

Improper Use of Restricted Funds and Interfund Loans

Criteria	Monies in the G.O. Bond Debt Service Fund #4 are to be held in escrow to be used solely to pay principal and interest on certain bond obligations of the City.
Condition	In prior periods, the General Fund improperly borrowed from the Debt Service Funds. These funds were partly repaid; however, the net balance of these borrowings is \$179,530 at December 31, 2018. This is a repeat finding.
Cause	The City's lack of sufficient operating reserves (unassigned fund balance) caused the City to borrow funds from the G.O. Debt Service Funds when emergencies were encountered in previous years as a result of disasters.
Effect	Violation of loan agreements, state law and local ordinances
Recommendation	These loans, along with other interfund loans (or due-to-from) that have accumulated over several years, should be repaid. In order to repay these loans, the City will need to significantly reduce costs in its general fund, or raise revenues.
Management's Response	The City hopes to pay off this balance by the end of 2019.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

<u>2018-004</u>	Violation of the Local Government Budget Act and Negative Fund Balance
Criteria	Louisiana Revised Statute 39:1311A(1-2) requires that the budget shall be amended when total revenue and other sources (including fund balance from prior years) plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more and total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
Condition(s)	Expenditures of the City's Landfill fund exceeded the budgeted amount by more than 5%. Additionally, the City's Landfill Fund and the Youth Recreation and Parks Fund had a negative fund balances of \$456,121 and \$131,056, respectively at December 31, 2018. This is a repeat finding.
Cause	The budgets are prepared using overly optimistic projections of revenues and expenditures. Expenditures in Landfill and Youth Recreation and Parks funds have exceeded revenues in those funds for several of the past years.
Effect:	The negative variance of more than five percent are a violation of Louisiana Revised State 39:1311A(1-2).
Recommendation	The City should use more realistic projections of revenues, expenditures, and available fund balances when preparing operating budgets. Additionally, the City should revisit its current budget and seek cost savings through expenditure reductions and revenue enhancements.
Management's Response	<p>The landfill expenses are more than what the City receives in tax revenue. The budgeted expenses are based on what is collected in revenue and the remainder is owed to the landfill. The City is working with the Parish to find a solution for this.</p> <p>Youth Recreation and Parks had a surplus in 2018. This reduced the fund's negative fund balance. The City hopes to continue having a surplus in the fund and eventually eliminate the negative fund balance.</p>

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

2018-005

Choctaw Road Landfill Deficit

Criteria: Choctaw Road Landfill (the Landfill) is a joint venture between the Washington Parish Government (the Parish) and the City of Bogalusa (the City). The agreed upon percentages for sharing construction costs, revenues, and operating costs is 58.1% for the Parish and 41.9% for the City.

Condition: It was noted during my audit that the City owes the landfill \$2,135,946; All of which is non-current. Additionally, we noted that the 5-mill ad valorem tax dedicated to the Landfill to fund the City's portion of Landfill operational costs, provided revenues of \$387,659 in 2018, while the City's share of the costs to operate the Landfill were approximately \$400,323. **This is a repeat finding.**

Cause: From this information, it appears the funding with which the City relies upon to support the Landfill may no longer be sufficient to support their annual share of the Landfill's operational costs.

Effect: If this underfunding is not addressed, this could have an impact on the operations of the Landfill and their plans to build out new cells in the near future.

Recommendation I strongly recommend that management evaluate the effect of the City's financial situation and its potential consequences on the operations of the Landfill and develop a plan of action to mitigate any negative impact this could have on the Landfill's current and future operations and plans.

Management's Response The economic and sociological makeup of the City and Parish have changed over the past years resulting in less advalorem taxes collected by the City to cover the costs associated with the landfill. Despite these changes, the responsibilities for each party have not changed. The City and Parish are exploring options for how to handle this lack of funding.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

2018-006

Incorrect Treatment of Old Outstanding Checks

Criteria	Louisiana Revised Statutes 9:151 <i>et seq.</i> requires that outstanding checks be sent to the Louisiana State Treasurer as unclaimed property if they are outstanding after a certain time period based on the type of check.
Condition	The City's policy is to void outstanding checks older than twelve months instead of researching why the checks have not been cashed or sending these unclaimed funds to the State Treasurer in accordance with the statute. This is a repeat finding.
Cause	The City's policy of voiding old outstanding items is not in agreement with state law.
Effect	The City is not compliant with Louisiana Revised Statutes 9:151 <i>et seq.</i>
Recommendation	The City should change its procedure and research outstanding checks to determine if a replacement check to the payee is necessary or send in the unclaimed amounts to the State Treasurer according to the Treasurer's holding periods.
Management's Response	From our understanding, the outstanding checks were due to other checks being reissued. The checks should have been voided. However, we will review all outstanding checks in 2019 and ensure that we are compliant with the Louisiana statute.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

2018-007

Bond Covenants

Criteria	The covenants of the Water Revenue Bonds, Series 2009 A and B, and the Revenue Refunding Bonds, the Assets, Revenue and Expenses of the water system operation are to be identified and accounted for separately.
Condition	A separate accounting for Water System Operations has not been developed. Parts of this finding are a repeat from the prior year.
Cause	The City's finance staff is not familiar with the terms of the bonds, and according to them, were misinformed by consultants regarding the need for separate accounting for the Water System Operations.
Effect	Violation of bond covenants.
Recommendation	The City should periodically review all bond covenants and ensure that the City is in compliance. Additionally, the Water and Sewer and Garbage Operations should be separated into separate funds.
Management's Response	The revenue and expenses are accounted for separately. The assets and liabilities have always been combined. We do not have the records to separate these. However, we will research this further to try to do so.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Internal Control Matters

2018-008

Internal financial reporting

Criteria: Financial reports provided to the mayor and the council should be complete and accurate, yet concise and straightforward enough to allow for appropriate monitoring of financial condition and decision making.

Condition: The City's internal and monthly financial reporting process did not allow for sufficient monitoring and decision making by the mayor and council. **This is a repeat finding.**

Effect: Decisions are being made without complete information.

Cause: The financial reports provide excessive detail of expenditures compared to budget for the year, but do not present the financial condition (fund balance). As a result, the reports generated by the administrative staff are insufficient for proper decision-making.

Recommendation: Monthly financial reports should include revenues and expenditures compared to budget for all major funds of the City as well as the existing fund balance. Fund balance should be clearly identified as to what has been previously encumbered and what is available for spending.

Management's Response: The accounting department has been behind on getting the financial statements completed each month. However, statements were provided to the Mayor and Council throughout the year as they were completed.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

2018-009

Capital Asset Records

Criteria	Capital Asset records should be maintained in accordance LA Revised State 24:515. Capital Asset system should capture information such as tagging numbers or identifying numbers, serial numbers, funding source, department, cost and dates of purchase.
Condition	Capital Asset accounting records do not contain tagging or serial numbers or funding source. Additionally, the records are updated only once per year through a manual process lacking efficiency and automation. Donated assets are not formally tracked and added to the records. One such donated asset is the building that houses the local charter school; however, the City has not obtained an appraisal on this building in order to record the transaction on the financial statements. This is a repeat finding.
Cause	Outdated accounting systems and processes.
Effect	Without a centralized and automated process, assets may go unaccounted for.
Recommendation	The City should centralize and automate its capital asset records and include all identifying information and donated assets. In addition, the City should obtain an appraisal on the donated building and record the appraised value on the financial statements.
Management's Response	The City has incorporated the current fixed assets into the financial accounting system. We are also researching software and equipment to tag the fixed assets.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

2018-010

Lease Revenue Not Being Collected

Criteria	AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls should be designed to provide reasonable assurance that the entity's objectives regarding financial reporting are being met. One of the objectives is accuracy of reported revenues and expenses. Adopted policies and procedures to track monthly amounts due, preparing and sending billings or notices of the balance due and following up with collections helps accomplish this objective.
Condition	The City entered into a long term lease agreement with a tenant for a property located within its Industrial Complex. The monthly lease due is \$3,000. The tenant on this lease paid \$24,000 of the \$36,000 annual lease due leaving an unpaid balance of \$12,000 for 2018; however, the amount owed for prior years was \$72,000 with a combined total owed of \$84,000. This is a repeat finding.
Cause	The tenant is not paying the amounts due according to the terms of the lease agreement.
Effect	The City is not collecting the amount of the lease due according to the terms of the lease agreement.
Recommendation	The City should implement policies and procedures to require tenants leasing buildings in the industrial complex to pay all amounts due according to the lease agreements. Monthly invoices or statements should be sent to tenants who don't pay by the due date of the lease to remind them of the amount due each month. Further, the City should consult with its legal advisor to determine what other options are available to collect the lease revenue due.
Management's Response:	The City is aware of the balance due on this lease and is working with the tenant to receive the funds owed.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

2018-011

Documentation of Proper Calculation of Retirement Benefits

Criteria	Benefit payments should be made in accordance with plan provisions of the City of Bogalusa Employee's Retirement System (COBERS) and as set forth in Louisiana Revised Statutes RS 11.3031-3053
Condition	Of a sample of 5 retiree benefits being paid, the benefit being paid to one retiree could not be verified by recalculating the benefits paid against the plan provisions. The retiree file did not have sufficient documentation to explain the benefit calculation and the amount currently being paid.
Cause	The current COBERS administrator and actuary was engaged after this one retiree's benefit calculation was determined. The pension benefit file for this one retiree did not contain sufficient documentation to explain how the pension benefit being paid was calculated.
Effect	The City may be paying out the incorrect benefit amounts to retirees.
Recommendation	The City should require COBERS to review all pension beneficiary files to make sure the documentation exists on how the pension benefits were determined. This documentation should coincide with the current amount being paid in benefits.
Management's Response:	The City will review this issue with the COBERS administrator and to ensure the correct amount of pension benefits are being paid.

CITY OF BOGALUSA, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section III – Federal Award Findings and Questioned Costs

2018-012

Reporting

20.106

Department of Transportation

Criteria The Airport Improvement Program, CFDA 20.106, requires that the SF-425, Federal Financial Report, be filed on an annual basis.

Condition The City has failed to file this report for the program year 2016, 2017, and 2018. **This is a repeat finding.**

Cause The City did not file the required report.

Effect The City is not in compliance with the Grant Reporting Requirements. Controls over reporting are not functioning properly.

Recommendation The City should complete and file the required reports. In addition, the City should develop policies and procedures to ensure the required report is filed timely and correctly for each program year.

Management's
Response

The City believed all the forms were being filed correctly in 2018. We will ensure that the correct forms are filed in 2019.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

Noncompliance with laws, regulations, contracts and grant agreements

<u>2017-001</u>	Underfunded Retirement System
Criteria	State Law (R.S. 11:3031 – 3053) created the City of Bogalusa Employee’s Retirement System (COBERS) and provides for its administration. R.S. 11:3045(A) states, “The City shall make contributions to the system each year on an actuarially funded basis, toward the annuities and benefits herein provided.”
Condition	At June 30, 2017, the City’s sponsored defined benefit pension plan (COBERS) was severely underfunded. The funded ratio at June 30, 2017 was 17% and the net pension liability was \$22,361,357. This is a repeat finding.
Cause	The stock market decline of 2008 combined with other demographic conditions such as an aging workforce and longevity of retirement have caused required contribution levels to increase. The City’s budget has been unable to absorb these increases and therefore the increases have gone unfunded.
Effect	The assets held in trust are severely deficient of the amount needed to pay the pension benefits promised to employees over the long term.
Recommendation	The City should develop a plan to ensure that the retirement system is actuarially funded in accordance with state law.
Management’s Response	The City’s Pension Plan, as is the case with many defined benefit plans throughout the nation, is critically underfunded. Long term solutions to this problem are being developed.
Current Status	The city passed a rededication of sales taxes in the November 2018 election. These are effective as of 1/1/2019 and will provide an estimated \$542,000 of additional contributions to COBERS. The City is also exploring ways to reduce expenditures so more funds will be available to contribute to the system.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

<u>2017-002</u>	Improper Use of Restricted Funds and Interfund Loans
Criteria	Monies in the G.O. Bond Debt Service Fund #4 are to be held in escrow to be used solely to pay principal and interest on certain bond obligations of the City.
Condition	In prior periods, the General Fund improperly borrowed from the G.O. Bond Debt Service Fund #4. These funds were partly repaid; however, the net balance of these borrowings is \$313,030 at December 31, 2017. This is a repeat finding.
Cause	The City's lack of sufficient operating reserves (unassigned fund balance) caused the City to borrow funds from the G.O. Debt Service Funds when emergencies were encountered in previous years as a result of disasters.
Effect	Violation of loan agreements, state law and local ordinances
Recommendation	These loans, along with other interfund loans (or due-to-from) that have accumulated over several years, should be repaid. In order to repay these loans, the City will need to significantly reduce costs in its general fund, or raise revenues.
Management's Response	<p>The City paid off the balance of Sinking Fund #1 in 2017.</p> <p>According to the City's records, the balance owed to Sinking Fund #4 is \$130,000 rather than \$313,030 as per the audit finding. The city disagrees with the auditor's amount.</p>
Current Status	The amount due to the Sinking Funds was reduced to \$179,530 as of 12/31/18.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

2017-003

Bond Covenants

Criteria	The covenants of the Water Revenue Bonds, Series 2009 A and B, and the Revenue Refunding Bonds, Series 2012 require that sinking funds be established and that monthly deposits be made to those funds in amount to sufficiently fund the debt service occurring at 6 month intervals. Additionally, the Assets, Revenue and Expenses of the water system operation are to be identified and accounted for separately according to the terms of the 2009 A and B bonds.
Condition	The sinking fund for the Series 2012 bonds had not been established. Additionally, a separate accounting for Water System Operations has not been developed. This is a repeat finding.
Cause	The City's finance staff is not familiar with the terms of the bonds, and according to them, were misinformed by consultants regarding the need for such funds. Additionally, this condition may have been attributable to monies transferred to the general fund prior to satisfying the sinking fund requirements.
Effect	Violation of bond covenants.
Recommendation	The City should periodically review all bond covenants and ensure that the City is in compliance. Additionally, the Water and Sewer and Garbage Operations should be separated into separate funds.
Management's Response	<p>The Sinking Funds were funded through April 2018 to pay the notes. The City plans to work toward funding the accounts in the future.</p> <p>The expenses for the utility system are accounted for separately in the accounting system. The City can begin to account for the revenue separately. The problem is with separating the receivables as they have never been accounted for separately. The City will try to find a solution to the problem.</p>
Current Status	The sinking funds were fully funded as of 12/31/18. The City has continued to make the monthly transfers in 2019. The revenue and expenses are accounted for separately.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

2017-004

Violation of the Local Government Budget Act and Negative Fund Balance

Criteria	Louisiana Revised Statute 39:1311A(1-2) requires that the budget shall be amended when total revenue and other sources (including fund balance from prior years) plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more and total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
Condition(s)	Expenditures of the City's General and Landfill funds exceeded the budgeted amount by more than 5%. Additionally, the City's Landfill Fund, the Youth Recreation and Parks Fund and the Street Improvement Sales Tax Fund had a negative fund balances of \$443,457, \$187,160, and \$18,825 respectively at December 31, 2017. This is a repeat finding.
Cause	The budgets are prepared using overly optimistic projections of revenues and expenditures. Expenditures in Landfill, Youth Recreation and Parks, and Street Improvement Sales Tax funds have exceeded revenues in those funds for several of the past years.
Effect:	The negative variance of more than five percent are a violation of Louisiana Revised State 39:1311A(1-2).
Recommendation	The City should use more realistic projections of revenues, expenditures, and available fund balances when preparing operating budgets. Additionally, the City should revisit its current budget and seek cost savings through expenditure reductions and revenue enhancements.
Management's Response	<p>The landfill expenses are more than what the City receives in revenue. The budget expenses are prepared based on what is collected in revenue and the remainder is owed to the landfill. The City is working with the Parish to find a solution for this.</p> <p>Youth Recreation and Parks does not bring in enough revenue to cover the expenditures. The City hoped to transfer funds from the General Fund to cover the deficit; however, was unable to do so. The City will look into correcting this issue.</p> <p>The deficit in Street Improvement Sales Tax Fund should be eliminated in 2018.</p>
Current Status	<p>There is no change in the status related to the landfill.</p> <p>Youth Recreation and Parks had a surplus in 2018. This reduces the fund's negative fund balance. The City hopes to continue having a surplus in the fund and eventually eliminate the negative fund balance.</p> <p>The Street Improvement Sales Tax Fund's negative fund balance was eliminated in 2018.</p>

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

2017-005

Noncompliance with the Retirement System's Investment Policy

Criteria	The City of Bogalusa Employees' Retirement System Statement of Investment Policies & Objectives was adopted by the Board of Trustees to serve as the official policy regarding the investment policy and practices for the System. The policy lists permissible investment equities as domestic common stocks, convertible bonds, preferred stocks, and REITS.
Condition	The City of Bogalusa Employees' Retirement System invested in foreign common stock during the audit period. This is a repeat finding.
Cause	The investment market is now more global, but the policy may be outdated.
Effect	Violation of the Retirement System's investment policies.
Recommendation	The System should trade these holdings for a permissible investment or amend its investment policy.
Management's Response	The COBERs board changed the investment policy to allow investments in foreign stocks in 2018.
Current Status	The COBERs board changed the investment policy to allow investments in foreign stocks in 2018.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

2017-006

Choctaw Road Landfill Deficit

Criteria:	Choctaw Road Landfill (the Landfill) is a joint venture between the Washington Parish Government (the Parish) and the City of Bogalusa (the City). The agreed upon percentages for sharing construction costs, revenues, and operating costs is 58.1% for the Parish and 41.9% for the City.
Condition:	It was noted during my audit that the City owes the landfill \$2,104,465; All of which is non-current. Additionally, we noted that the 5-mill ad valorem tax dedicated to the Landfill to fund the City's portion of Landfill operational costs, provided revenues of \$366,088 in 2017, while the City's share of the costs to operate the Landfill were approximately \$442,000. This is a repeat finding.
Cause:	From this information, it appears the funding with which the City relies upon to support the Landfill may no longer be sufficient to support their annual share of the Landfill's operational costs.
Effect:	If this underfunding is not addressed, this could have an impact on the operations of the Landfill and their plans to build out new cells in the near future.
Recommendation	I strongly recommend that management evaluate the effect of the City's financial situation and its potential consequences on the operations of the Landfill and develop a plan of action to mitigate any negative impact this could have on the Landfill's current and future operations and plans.
Management's Response	The economic and sociological makeup of the City and Parish have changed over the past years resulting in less ad valorem taxes collected by the City to cover the costs associated with the landfill. Despite these changes, the responsibilities for each party have not changed. The City and Parish are exploring options for how to handle this lack of funding.
Current Status	The City and Parish are continuing to explore options for how to handle the lack of funding and the related balance owed to the landfill.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

<u>2017-007</u>	Incorrect Calculation of Termination Pay for Firefighters and Police Officers
Criteria	State of Louisiana AG Opinion 07-0123 states that Louisiana Revised Statute 33:2218.4 requires that state supplemental pay must be included in the calculation of accrued annual and sick leave an officer or firefighter is entitled to upon termination.
Condition	The City has not included the state supplemental in the calculation of wages paid firefighters and police for compensated absences at the time of termination.
Cause	Incorrect calculation of wage rate at the time of termination due to lack of knowledge of state law.
Effect	The City has potentially shorted all police and firefighter employees that have left the employment of the city since the time of the AG decision, June 14, 2007.
Recommendations	The City should include the state supplemental pay in the calculation of compensated absences paid to fire and police employees.
Management's Response	<p>The City was not aware that supplemental pay needed to be included in the calculation,</p> <p>The City will correct this error for all future payments and will look into the amounts owed to former firefighters and police officers.</p>
Current Status	The City now correctly includes state supplemental pay in the calculation of accrued annual and sick leave for police officers and firefighters.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

2017-008

Incorrect Treatment of Old Outstanding Checks

Criteria	Louisiana Revised Statutes 9:151 <i>et seq.</i> requires that outstanding checks be sent to the Louisiana State Treasurer as unclaimed property if they are outstanding after a certain time period based on the type of check.
Condition	The City's policy is to void outstanding checks older than six months instead of researching why the checks have not been cashed or sending these unclaimed funds to the State Treasurer in accordance with the statute.
Cause	The City's policy of voiding old outstanding items is not in agreement with state law.
Effect	The City is not compliant with Louisiana Revised Statutes 9:151 <i>et seq.</i>
Recommendation	The City should change its procedure and research outstanding checks to determine if a replacement check to the payee is necessary or send in the unclaimed amounts to the State Treasurer according to the Treasurer's holding periods.
Management's Response	The City will work to become compliant with the statute in 2018.
Current Status	From our understanding, the outstanding checks were due to other checks being reissued. The checks should have been voided.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

Internal Control Matters

2017-009

Reconciliation of Accounts Receivable

Criteria	AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls should be designed to provide reasonable assurance that the entity's objectives regarding financial reporting are being met. One of the objectives is accuracy of reported revenues and expenses. Timely reconciliation of accounts receivable to subsidiary ledgers (aging reports) helps accomplish this objective.
Condition	Utility System accounts receivable per the general ledger are not being reconciled to subsidiary billing ledgers on an ongoing basis. Also, the City's current accounting process does not allow for the ongoing recording of utility bill adjustments into the general ledger (accounting records). This is a repeat finding.
Cause	Conversions to new accounting and billing systems.
Effect	The revenue, expenditures, fund equities and net position reported in financial statements of the utility fund could be misstated.
Recommendation	The City's staff should receive training on the new systems and should reconcile the accounts on a monthly basis. Discrepancies should be investigated and resolved. Also, billing adjustments should be recorded on an ongoing basis and accounts receivable should reconcile the billing system monthly.
Management's Response	The City did not have the funds in 2017 to purchase the software we were researching to facilitate the reconciliation process; however, we are still exploring this option. In the meantime, accounting personnel are working with the current utility billing company to find a way to reconcile the various reports to the City's records.
Current Status	The accounts receivable were reconciled each month in 2018.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

2017-010

Internal financial reporting

Criteria: Financial reports provided to the mayor and the council should be complete and accurate, yet concise and straightforward enough to allow for appropriate monitoring of financial condition and decision making.

Condition: The City's internal and monthly financial reporting process did not allow for sufficient monitoring and decision making by the mayor and council. **This is a repeat finding.**

Effect: Decisions are being made without complete information.

Cause: The financial reports provide excessive detail of expenditures compared to budget for the year, but do not present the financial condition (fund balance). As a result, the reports generated by the administrative staff are insufficient for proper decision-making.

Recommendation: Monthly financial reports should include revenues and expenditures compared to budget for all major funds of the City as well as the existing fund balance. Fund balance should be clearly identified as to what has been previously encumbered and what is available for spending.

Management's Response: We believe that the accounting software issues have been resolved. However, the accounting department has been behind on getting the financial statements completed every month. However, statements were provided to the Mayor and Council throughout the year as they were completed, although not monthly. We are hopeful that we will get caught up with the work and be able to provide them more timely.

Current Status The financial statements were provided as they were completed.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

2017-011

Capital Asset Records

Criteria	Capital Asset records should be maintained in accordance LA Revised State 24:515. Capital Asset system should capture information such as tagging numbers or identifying numbers, serial numbers, funding source, department, cost and dates of purchase.
Condition	Capital Asset accounting records do not contain tagging or serial numbers or funding source. Additionally, the records are updated only once per year through a manual process lacking efficiency and automation. Donated assets are not formally tracked and added to the records. One such donated asset is the building that houses the local charter school; however, the City has not obtained an appraisal on this building in order to record the transaction on the financial statements. This is a repeat finding.
Cause	Outdated accounting systems and processes.
Effect	Without a centralized and automated process, assets may go unaccounted for.
Recommendation	The City should centralize and automate its capital asset records and include all identifying information and donated assets. In addition, the City should obtain an appraisal on the donated building and record the appraised value on the financial statements.
Management's Response	The City has incorporated the current fixed assets into the financial accounting system. We will begin to use the software and work on including all identifying information.
Current Status	No change.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

2017-012

Lease Revenue Not Being Collected

Criteria	AU Section 325 of the Professional Standards issued by the Auditing Standards Board states that internal controls should be designed to provide reasonable assurance that the entity's objectives regarding financial reporting are being met. One of the objectives is accuracy of reported revenues and expenses. Adopted policies and procedures to track monthly amounts due, preparing and sending billings or notices of the balance due and following up with collections helps accomplish this objective.
Condition	The City entered into a long term lease agreement with a tenant for a property located within its Industrial Complex. The monthly lease due is \$3,000. The tenant on this lease paid \$16,000 of the \$36,000 annual lease due leaving an unpaid balance of \$20,000 for 2017; however, the amount owed for prior years was \$40,000 with a combined total owed of \$60,000. This is a repeat finding.
Cause	The tenant is not paying the amounts due according to the terms of the lease agreement.
Effect	The City is not collecting the amount of the lease due according to the terms of the lease agreement.
Recommendation	The City should implement policies and procedures to require tenants leasing buildings in the industrial complex to pay all amounts due according to the lease agreements. Monthly invoices or statements should be sent to tenants who don't pay by the due date of the lease to remind them of the amount due each month. Further, the City should consult with its legal advisor to determine what other options are available to collect the lease revenue due.
Management's Response:	The City is aware of the balance due on this lease and will work with the tenant to receive the funds owed.
Current Status	No change.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

2017-013

Airport Grant Projects Not Being Billed Timely and Collected

Criteria	The City should have policies and procedures in place including internal controls over the timely request for reimbursements on Airport grant projects from federal and state agencies.
Condition	The City has several federal and state grants that fund projects at the City's Airport. Costs paid by the City are reimbursed under these grant agreements if the cost meets the criteria of the grant agreement to be reimbursed. Costs that are not reimbursed are paid by the General Fund. The City is not preparing timely requests for reimbursements for these costs or reconciling the cost incurred to a grant reimbursement request. The City recorded a total receivable as of December 31, 2017 on the Airport projects of \$536,565 representing \$351,404 due from the Federal Government and \$185,160 due from the State of Louisiana. This is a repeat finding.
Cause	City personnel not processing the reimbursement request timely and reconciling to costs incurred in the general ledger.
Effect	Lack of timely requesting reimbursements for cost incurred on the Airport projects could result in grant eligible costs being borne from the general fund or the ability to request the reimbursement on the grant may expire.
Recommendation	The City should implement policies and procedure and designate personnel to be responsible for the timely requesting of reimbursement of grant amounts from federal and state agencies on airport projects. The documentation on these requests for reimbursement should be forwarded to the accounting department so the transactions can be recorded in the general ledger.
Management's Response:	We believed that the request for reimbursement were being submitted in a timely manner in 2017. We will look into ensuring that this issue is corrected in 2018.
Current Status	This was corrected in 2018.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

2017-014

Timely Reconciliations of Cash Accounts

Criteria	A key internal control over cash is the timely reconciliations of book balances to the bank statement balances. This process is necessary to make sure transactions recorded in the accounting records match the transactions recorded on the bank statement and the bank notified timely if questionable transactions are identified. The City should have policies and procedures in place including internal controls to ensure that cash is reconciled timely and correctly.
Condition	The City's bank reconciliations for the General Fund and Utility Fund accounts for December 31, 2017 were not reconciled correctly until May of 2018. It was also noted that the Utility Fund was not reconciled for the months of February thru August of 2017.
Cause	The City's personnel did not properly reconcile the bank accounts during 2017.
Effect	City management may not have the complete financial information to base decisions on if cash is not correctly stated. Timely reconciliations is a means to detect inappropriate activity and to also ensure all transactions are recorded.
Recommendation	The City should develop a process and procedure to ensure that cash is reconciled timely and correctly.
Management's Response:	The City disagrees with this finding. All bank accounts were reconciled monthly in the same manner as they have been reconciled for over 20 years. Our computer system now has the ability to prepare bank reconciliation. The Director of Administration was working on doing the reconciliations in the actual computer system and did not get them completed until May because she had other items to address and worked on them as time allowed. However, they were reconciled in the prior manner, so there was no time urgency on getting them completed in the computer. They are all reconciled in the prior manner and in the computer system through May 2018.
Current Status	All bank reconciliations are prepared monthly in a timely manner. The City still disagrees with this finding.

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

Section III – Federal Award Findings and Questioned Costs

<u>2017-015</u>	Reporting	Questioned Costs: None
20.106	Department of Transportation	
Criteria	The Airport Improvement Program, CFDA 20.106, requires that the SF-425, Federal Financial Report, be filed on an annual basis.	
Condition	The City has failed to file this report for the program year 2016 and 2017.	
Cause	The City did not file the required report.	
Effect	The City is not in compliance with the Grant Reporting Requirements.	
Recommendation	The City should complete and file the required reports. In addition, the City should develop policies and procedures to ensure the required report is filed timely and correctly for each program year.	
Management's Response	The City is working on completing all of the required reports. We are hopeful that this error will not occur again.	
Current Status	It appears that this issue was not resolved in 2018. We will ensure that the correct forms are filed in 2019.	

CITY OF BOGALUSA, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

<u>2017-016</u>	Period of Performance	Questioned Costs: \$99,812
20.106	Department of Transportation	
Criteria	The Period of Performance compliance requirement is applicable to the Airport Improvement Program, CFDA 20.106. This compliance requirement specifies that expenditures reimbursed under the grant be incurred within the funding period specified in the Grant Agreement.	
Condition	The City was unable to provide the documentation demonstrating that two out of the 13 transactions selected in my sample was for costs incurred within the period of performance of the grant award. These two transactions identify cost incurred in a prior year and paid with the most recent grant agreement.	
Cause	The City was unable to produce the requested documentation.	
Effect	Unable to substantiate the City's compliance with federal grant requirements.	
Recommendation	The City should develop policies and procedures to include that documentation is required to demonstrate that costs incurred under this federal award was within the period of performance of the grant.	
Management's Response	The City was unable to locate the documentation requested for the 2 transactions. We will work to ensure that all documentation is maintained in a more organized manner.	
Current Status	This issue was corrected for 2018.	

**CITY OF BOGALUSA, LOUISIANA
Corrective Action Plan-Single Audit Finding
For the Year Ended December 31, 2018**

Federal Award Findings and Questioned Costs

2018-012- Reporting

The City is working on completing all of the required reports and is hopeful that this error will not occur again.

Expected Implementation Date: December 2019

Contact Person: Stacy M. Smith, Director of Administration

CITY OF BOGALUSA

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED DECEMBER 31, 2018

ROBERT A. NEILSON
CERTIFIED PUBLIC ACCOUNTANT, L.L.C.

ROBERT A. NEILSON
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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Honorable Mayor and Council of
The City of Bogalusa
And the Louisiana Legislative Auditor

I have performed the procedures enumerated below, which were agreed to by The City of Bogalusa (the City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, 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 performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented. If the item being subjected to the procedures is positively identified or present, then the results will read "no exceptions noted". If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

The procedures and associated results 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.

No exceptions noted.

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.

I performed the procedures above and noted the following exceptions:

- No written policies over (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, and, (5) documentation required to be maintained for all bids and price quotes.

c) *Disbursements*, including processing, reviewing, and approving

No exceptions noted.

d) *Receipts*, 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).

No exceptions noted.

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

No exceptions noted.

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.

I performed the procedures above and noted the following exceptions:

- There are no written policies related to (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)

I performed the procedures above and noted the following exceptions:

- There are no written policies related to (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

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

I performed the procedures above and noted the following exceptions:

- There are no written policies related to (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.

I performed the procedures above and noted the following exceptions:

- **There are no written policies regarding: (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.

I performed the procedures above and noted the following exceptions:

- **There are no written policies regarding: (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.**

Board or Finance Committee

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.

For purposes of this procedure, I considered the frequency of Board Meetings to be in accordance with the City Charter Section 2-09.A, which states that "The Council shall meet regularly at least every other week at such times and places as the council may prescribe by resolution." I performed the procedures above and noted the following exceptions:

- **2 Meetings not held because a quorum was not present**
 - **3 Meetings held later than mandated in Section 2-09.A.**
- 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.

I performed the procedures above and noted the following exceptions:

- **In each of the 12 months, board minutes did not show that the City discussed budget-to-actual comparisons on the General Fund and other major funds. In addition, the minutes did not show that the City discussed monthly financial statements.**
- 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.

No exceptions noted.

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:

No exceptions noted.

From the listing provided, I selected 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ending December 31, 2018 & November 30, 2018, resulting in 5 bank reconciliations obtained and subjected to the below procedures.

- 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);

I performed the procedures above and noted the following exceptions:

- **5 reconciliations appear to have been prepared; however, exact date was not noted.**

- 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

I performed the procedures above and noted the following exceptions:

- **3 instances in which there was no documented review for the 5 bank reconciliations selected.**

- 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.

I performed the procedures above and noted the following exceptions:

- **12 checks were outstanding longer than 12 months. The City of Bogalusa's has no documentation of research.**

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).

No exceptions noted.

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:

No exceptions noted.

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

No exceptions noted.

- 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.

No exceptions noted.

- 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.

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted. All employees who handle cash are bonded or covered by insurance.

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.

I performed the procedures above and noted the following exceptions:

- **10 instances in which the City of Bogalusa did not maintain sequentially pre-numbered receipts.**

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

I performed the procedures above and noted the following exceptions:

- **2 instances in which the City of Bogalusa does not retain deposit slips.**

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

I performed the procedures above and noted the following exceptions:

- **2 instances in which the City of Bogalusa does not retain deposit slips.**

- 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).

I performed the procedures above and noted the following exceptions:

- **2 instances in which the City of Bogalusa does not retain collection documentation to determine whether or not collections were deposited within the one business day.**

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

No exceptions noted.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

No exceptions noted.

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:

No exceptions noted.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions noted.

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

No exceptions noted.

- 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.

I performed the procedures above and noted the following exceptions:

- **The Accounts Payable Clerk is also responsible for processing payments and adding vendors.**

- 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.

I performed the procedures above and noted the following exceptions:

- **The Accounts Payable Clerk is also responsible for processing and mailing 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:

No exceptions noted.

From each of the listings provided, I randomly selected 5 disbursements and performed the procedures below.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

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

I performed the procedures above and noted the following exceptions:

- **5 instances noted where the payment processor is responsible for adding / modifying vendor files.**

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.

No exceptions noted.

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. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

I performed the procedures above and noted the following exceptions:

- **2 individual transactions on credit card statements were not approved by someone other than the authorized cardholder.**

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

I performed the procedure above and noted no exceptions.

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 performed the procedures above and noted the following exceptions:

- **2 of the 19 transactions tested were missing receipts.**
- **3 of the 19 transactions tested did not have a documented business purpose.**

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:

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

I performed the procedures above and noted the following exception:

- **For 1 of the 5 reimbursements selected, there was no supporting documentation detailing the total miles traveled.**

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

I performed the procedures above and noted the following exception:

- **For 1 of the 5 reimbursements selected, per diem was requested and approved by the person receiving the per diem.**

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:

No exceptions noted.

- 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.

No exceptions noted.

- 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).

For purposes of this procedure, I considered the governing body/board approval to be in accordance with the City Charter Section 2-10(16), which states that "An act of the council having the force of law shall be by ordinance. An act requiring an ordinance shall include but not be limited to those which authorize any contract on behalf of the City." I performed the procedures above and noted the following exceptions:

- **The City of Bogalusa could not present the city ordinance documenting the approval of one of the contracts of the 5 contracts.**

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

No exceptions noted.

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

No exceptions noted.

Payroll and Personnel

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

I performed the procedures above and noted the following exceptions:

- **A listing of term employees/elected officials employed during the fiscal year was provided. The initial list was determined to be incomplete and was corrected.**
- **From the listing provided, I randomly selected 5 employees/officials and performed the specified procedures. The personnel file for one employee was not presented.**

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

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

according to policy and/or contract, the official should document his/her daily attendance and leave.).

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

Ethics Procedure 20 was not performed as the entity did not have exceptions in this category in the prior year, or mitigating controls exist as asserted by management.

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.

Debt Service

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.

There were no bonds issues during the fiscal period. No exceptions were noted.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants,

obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

No exceptions noted.

Other

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

No exceptions noted. No misappropriations were noted in the fiscal period.

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.

I performed the procedures above and noted the following exceptions:

- **The notice was not posted to the City's website.**

Corrective Action

25. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

Written Policies and Procedures: The City has outdated procedure manuals. We are currently looking for a third party to assist the Director of Administration in updating the policies and procedures to include all items in the AUPs.

Board or Finance Committee: The City Council meets on the 1st and 3rd Tuesday of every month. Meetings have been cancelled due to no quorums; however, it does not occur frequently.

The City provided financial statements to the Council as they were completed. These provide the budget-to-actual comparisons. The Director of Administration is always available to the City Council to answer questions related to the financial statements.

Bank Reconciliations: All bank reconciliations are currently prepared by both the City accountant and the Director of Administration. This in itself serves as a review process. The Director of Administration also reviewed all the bank reconciliations prepared by the City accountant; however, must have missed signing off on them.

The City's outstanding checks are generally due to checks that need to be voided in the system because replacement checks were reissued. We will begin to research and adjust these in a timely manner.

Collections: All daily deposits made at the bank have deposits slips. Due to the numerous transactions involved, some deposits slips may not have been located.

All deposits should be made within one working day of collection and should have the required documentation to support the deposit.

Non-payroll Disbursements: Due to a limited budgeted, the City has only one employee in Accounts Payable. The City does not have the need or funds for more than one. Accordingly, this one employee is responsible for adding vendors, processing payments, and mailing the payments. However, this employee is not allowed to sign checks. All checks require two signatures – usually one from the Finance Department (the Director of Administration or the City Clerk) and one from the Mayor’s Office (the Mayor or the Mayor’s Administrative Assistant).

Credit Cards/Debit Cards/Fuel Cards/P-Cards: The Department Heads and the Mayor’s Administrative Assistant are the only employees with credit cards. The Director of Administration will advise everyone to submit all receipts to Accounts Payable.

Travel and Travel-Related Expense Reimbursements (excluding card transactions): We will ensure that all travel expenses include the correct documentation.

Contracts: The City follows the Louisiana Public Bid law or Procurement Code for all purchases. The City was not aware of a contract that was not approved by city ordinance. We will work to ensure that this does not occur again.

Payroll and Personnel: The City maintains personnel files for all employees.

Other: The City will work with IT to add this information to the City website.

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

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

Sincerely,



Bogalusa, Louisiana
June 30, 2019