

**CITY OF CENTRAL, LOUISIANA**

**FINANCIAL STATEMENTS**

June 30, 2018

**CITY OF CENTRAL, LOUISIANA**

**FINANCIAL STATEMENTS**

June 30, 2018

# CITY OF CENTRAL, LOUISIANA

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the **CITY OF CENTRAL (CITY)** as of and for the year ended June 30, 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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

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

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

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 4 through 13 and 40 through 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Central, Louisiana's basic financial statements. The Capital Outlay and Improvement Fund: Schedule of revenue, expenditures, and changes in fund balance – budget (GAAP basis) and actuals on page 47 and the schedule of compensation, benefits and other payments to agency head on page 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Capital Outlay and Improvement Fund: Schedule of revenue, expenditures, and changes in fund balance – budget (GAAP basis) and actuals and the schedule of compensation, benefits and other payments to agency head is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the Capital Outlay and Improvement Fund: Schedule of revenue, expenditures, and changes in fund balance – budget (GAAP basis) and actuals and the schedule of compensation, benefits and other payments to agency head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 on our consideration of the **CITY OF CENTRAL, LOUISIANA**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Faulk & Winkler, LLC*  
Certified Public Accountants

Baton Rouge, Louisiana  
December 21, 2018

## CITY OF CENTRAL, LOUISIANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of the City of Central's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities and currently known facts, and should be read in conjunction with the financial statements which begin on Exhibit A.

### FINANCIAL HIGHLIGHTS

In 2018, the City of Central experienced a decrease in revenues of 40% compared to the prior year while expenditures decreased 12% from the prior year. These decreases are largely due to grant revenues and emergency recovery expenditures in the prior year related to the August 2016 flood. The City has a contract with a not-for-profit organization to provide administrative, financial, public works, code enforcement, permitting, and inspection services. In 2018, the cost of this contract was \$3.7 million, which represents 31.5% of total government-wide expenses. Additionally, the City received sales tax and franchise tax of \$8.4 million and \$1.6 million, respectively, while charges for services generated \$1.2 million in revenue in 2018. Throughout the year, the City has continued its recovery efforts from the 2016 August flood with debris monitoring and removal, and drainage efforts. Also, the City has focuses on road and infrastructure improvements. Additionally, the City has maintained a logical and thoughtful alignment of City resources to community needs.

The major financial highlights for 2018 are as follows:

- Assets of the City's primary government exceeded its liabilities at the end of the year by \$41.6 million (net position). Net position includes \$27.2 million that may be used without restriction to meet the City's ongoing obligations to citizens and creditors.
- The primary government's total net position increased by \$39,600 during 2018.
- At year end, the City's governmental funds reported fund balances of \$37.4 million, a decrease of approximately \$681,400 from the prior year, with restrictions or commitments as follows:
  - Restricted:
    - Capital projects - \$9.9 million
  - Commitments:
    - Operational reserves - \$4.1 million
    - Emergency repairs and maintenance - \$3.8 million
    - Drainage repairs and maintenance - \$405,300
    - Road maintenance - \$2.8 million
    - Capital outlay and improvements - \$129,400

Significant aspects of the City's financial well-being, for the year ended June 30, 2018, are detailed throughout this analysis.

## **USING THIS ANNUAL REPORT**

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

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

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

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

### **Reporting on the City as a Whole**

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

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

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

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

At June 30, 2018, the City's net position was \$41.6 million, of which \$27.2 million is unrestricted. Restricted net position is normally reported separately to show legal constraints from debt covenants and enabling legislation that limits the City's ability to use that net position for day-to-day operations.

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

City of Central, Louisiana  
Statement of Net Position  
June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
Current and other assets	\$38,390,944	\$40,553,129
Capital assets, net	4,638,670	3,001,075
Total assets	43,029,614	43,554,204
Deferred outflow of resources	61,068	118,645
Total assets and deferred outflows of resources	\$43,090,682	\$43,672,849
Current and other liabilities	\$ 1,219,775	\$ 1,741,625
Long-term payables	251,084	326,394
Total liabilities	1,470,859	2,068,019
Deferred inflow of resources	47,733	72,353
Total liabilities and deferred inflows of resources	1,518,592	2,140,372
Net position:		
Net investment in capital assets	4,550,227	3,001,075
Restricted	9,864,712	9,482,061
Unrestricted	27,157,151	29,049,341
Total net position	41,572,090	41,532,477
Total liabilities, deferred inflows of resources, and net position	\$43,090,682	\$43,672,849

Total net position of the City's governmental activities increased by approximately \$39,600 during the year ended June 30, 2018. Unrestricted net position decreased by \$1.9 million. Unrestricted net position represents the amount of the net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements. The changes in net position are discussed later in this analysis.

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

City of Central, Louisiana  
Changes in Net Position  
June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 1,163,488	\$ 1,165,647
Operating grants and contributions	133,534	5,851,788
Capital grants and contributions	196,983	298,788
General revenues:		
Sales and use taxes	8,384,450	10,659,372
Franchise taxes	1,583,494	1,534,006
Investment earnings	311,048	135,940
Other	2,751	2,974
Total revenues	<u>11,775,748</u>	<u>19,648,515</u>
Functions/Program expenses:		
General government	810,968	877,459
Health and welfare	114,440	114,440
Public works	9,310,156	11,779,780
Highways and streets	940,743	153,208
Public safety	556,259	419,256
Interest on long-term debt	3,569	4,628
Total expenses	<u>11,736,135</u>	<u>13,348,771</u>
Increase in net position	39,613	6,299,744
Beginning net position	<u>41,532,477</u>	<u>35,232,733</u>
Ending net position	<u>\$41,572,090</u>	<u>\$41,532,477</u>

The increase in net position of \$39,600 is primarily attributed to a decrease in overall expenditures. While grant revenues and sales tax revenues decreased in 2018, the City did experience an increase in investment earnings and franchise taxes.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

### Reporting the City's Most Significant Funds

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

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

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

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

**Financial Analysis of the General Fund**

The general government operations of the City are accounted for in the General Fund, special revenue funds, and capital projects fund. The focus of these funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The following is a summary of general governmental operations for 2018 by fund type:

	(in thousands)				
	2018				2017
	General Fund	Special Revenue Funds	Capital Projects Fund	Total	Total
Revenue	\$ 8,344	\$ 4,119	\$ 178	\$ 12,642	\$ 18,699
Expenditures	6,077	989	6,257	13,323	14,103
Other financing sources (uses)	(95)	(4,437)	4,532	-	91
Net change in fund balance	2,172	(1,307)	(1,546)	(681)	4,687
Beginning fund balance	17,982	15,459	4,632	38,073	33,386
Ending fund balance	<u>\$ 20,154</u>	<u>\$ 14,152</u>	<u>\$ 3,086</u>	<u>\$ 37,392</u>	<u>\$ 38,073</u>

The City's governmental funds experienced a decrease in fund balance of approximately \$682,000 during 2018. At year end, fund balances were \$37.4 million, of which \$16.1 million is unassigned and available for utilization at the City's discretion. The remaining fund balance has been restricted for capital projects (\$9.9 million), or committed (\$11.2 million) and assigned (\$205,800) where internal constraints have been established by the City. At June 30, 2018, the fund balance of the General Fund was \$20.2 million compared to the fund balance of \$18.0 million at June 30, 2017. The General Fund's sales tax revenue and grant revenues decrease in 2018, while investment earnings and charges for services increased. The General Fund's overall expenditures decreased by \$427,000 in 2018.

The Capital Outlay and Improvement Fund was created by the City in 2016. In 2018, the Capital Outlay and Improvement Fund experienced a decrease in fund balance of \$1.5 million due to public works expenditures related to ongoing flood recovery efforts and road improvements.

(Continued)

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

Fund	Fund Balance (in thousands)		
	Beginning	Net Change	Ending
ESDRIM	\$ 5,771	\$ 1,266	\$ 7,037
Half Cent Sales Tax	9,482	(2,573)	6,909
Traffic Contribution	206	-	206
Total	\$ 15,459	\$ (1,307)	\$ 14,152

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

Source of Revenue	(in thousands)			
	2018		2017	
	Revenue	%	Revenue	%
Sales and use taxes	\$ 8,384	66	\$ 10,659	57
Franchise taxes	1,583	13	1,534	8
Charges for services	1,124	9	1,051	6
Intergovernmental grants and contributions	1,239	10	5,319	28
Investment and other income	311	2	136	1
Total	\$ 12,642	100	\$ 18,699	100

Revenues of the governmental funds decreased by \$6.1 million. This decrease is directly attributable to a decrease in sales and use taxes and intergovernmental grants and contributions during 2018; charges for services, franchise taxes, and investment revenue increased during 2018.

Governmental expenditures are summarized as follows:

Functions	(in thousands)			
	2018		2017	
	Expenditures	%	Expenditures	%
General government	\$ 744	6	\$ 804	6
Health and welfare	114	1	114	1
Public works	10,027	75	11,798	84
Highway and streets	27	-	22	-
Public safety	487	4	423	3
Debt services	33	-	22	-
Capital outlay	1,891	14	920	6
Total	\$ 13,323	100	\$ 14,103	100

Governmental expenditures decreased by \$780,000, or 5.5%. This decrease is primarily attributable to a decrease in public works expenditures in 2018 due to a high volume of debris removal and recovery efforts in 2017 related to the 2016 August floods.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year the City's General Fund operating budget was amended, which is a customary practice of the City, to reflect the changes that occur with financial related matters throughout the fiscal year. The most significant changes during 2018 were as follows:

- Decrease in tax revenues by \$235,000,
- Decrease in charges for services by \$18,000,
- Decrease in legal service expenditures of \$142,000,
- Decrease in sanitation expenditures of \$69,000,
- Decrease in police department expenditures of \$149,000.

With these adjustments, the budgeted change in fund balance was \$98,500 more than the original budgeted change in fund balance of \$1.7 million.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### Capital Assets

At the completion of the fiscal year ended June 30, 2018, the City had \$4.6 million invested in capital assets, net of accumulated depreciation of \$1.4 million, which was comprised of construction in progress, leasehold improvements, equipment, vehicles, and infrastructure.

	2018	2017
Construction in progress	\$ 293,011	\$ 130,686
Leasehold improvements	-	955
Equipment	42,123	37,284
Vehicles	180,569	165,620
Infrastructure	4,122,967	2,666,530
Total assets, net of accumulated depreciation	\$ 4,638,670	\$ 3,001,075

The City elected to capitalize infrastructure assets, such as roads and bridges, on a prospective basis as a Phase 3 government, in accordance with GASB No. 34. As of June 30, 2018, the City has constructed \$4,849,858 of infrastructure since inception. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

### Debt

As of June 30, 2018, the City's long-term debt is comprised of the following:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Net pension obligations	\$201,251	\$ 4,697	\$ 18,978	\$186,970
Capital lease obligations	117,822	-	29,379	88,443
Accrued compensated absences	7,321	1,419	1,032	7,708
Total long-term debt	<u>\$326,394</u>	<u>\$ 6,116</u>	<u>\$ 49,389</u>	<u>\$283,121</u>

More detailed information about the City's long-term liabilities is presented in Notes 6 and 9 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The City's elected and appointed officials considered many factors when setting the fiscal year 2019 budget and tax rates, including the national, state, and local economies. The General Fund's revenue is budgeted to increase by 2% to \$8.3 million for the 2019 fiscal year while expenditures are expected to increase by 11% to \$6.8 million. The City anticipates tax revenue and charges for services to increase by \$114,000 and \$47,000, respectively. City operations and services expenditures are expected to increase by \$428,000, due to an increase in the City's renewed contract for city services with a third-party organization. Police department expenditures are expected to increase by \$158,000 in relation to the hiring of additional personnel and the increase in liability insurance and supplies that the new personnel will require. Planning and zoning expenditures are expected to decrease by \$137,000. Additionally, the City has eliminated special event expenditures and economic development expenditures for the 2019 fiscal year. The administration of the City has made it a priority to continue road improvements, infrastructure work, and to implement the Master Drainage Plan to help guide the City's development with good, sound decisions.

### **Contacting the City's Financial Management**

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

**CITY OF CENTRAL, LOUISIANA**  
**BASIC FINANCIAL STATEMENTS**

**CITY OF CENTRAL, LOUISIANA**  
**STATEMENT OF NET POSITION**

June 30, 2018

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 15,548,813
Investments	21,177,208
Due from other governments	1,167,691
Accounts receivable	496,790
Prepaid and other assets	442
Capital assets:	
Nondepreciable	293,011
Depreciable, net	4,345,659
Total assets	43,029,614
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension liability	61,068
Total assets and deferred outflows of resources	\$ 43,090,682
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 585,371
Contracts payable	308,798
Retainage payable	73,569
Sales tax refund payable	220,000
Long-term debt:	
Due within one year	32,037
Due in more than one year	64,114
Net pension liability	186,970
Total liabilities	1,470,859
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension liability	47,733
<b>NET POSITION</b>	
Net investment in capital assets	4,550,227
Restricted for capital projects	9,864,712
Unrestricted	27,157,151
Total net position	41,572,090
Total liabilities, deferred inflows of resources, and net position	\$ 43,090,682

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

**CITY OF CENTRAL, LOUISIANA**  
**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 810,968	\$ 1,163,488	\$ 133,534	\$ 138,721	\$ 624,775
Health and welfare	114,440	-	-	-	(114,440)
Public works	9,310,156	-	-	-	(9,310,156)
Highways and streets	940,743	-	-	-	(940,743)
Public safety	556,259	-	-	58,262	(497,997)
Interest on long-term debt	3,569	-	-	-	(3,569)
 Total	\$ 11,736,135	\$ 1,163,488	\$ 133,534	\$ 196,983	(10,242,130)
 <b>General revenues:</b>					
Taxes:					
Sales					8,384,450
Franchise					1,583,494
Investment earnings					311,048
Other					2,751
 Total general revenues					10,281,743
 Increase in net position					39,613
 Net position - beginning of year					41,532,477
 Net position - end of year					\$ 41,572,090

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

**CITY OF CENTRAL, LOUISIANA**

Exhibit A-2

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2018

	Special Revenue Funds				Capital Outlay and Improvement Fund	Total Governmental Funds
	General	ESDRIM	Half Cent Sales Tax	Traffic Contribution		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 10,854,444	\$ 170,598	\$ 850,611	\$ 205,812	\$ 3,467,348	\$ 15,548,813
Investments	8,435,989	6,907,118	5,834,101	-	-	21,177,208
Due from other governments	957,057	15,975	194,659	-	-	1,167,691
Accounts receivable	62,436	401,625	32,729	-	-	496,790
Due from other funds	310,000	-	-	-	-	310,000
Prepaid and other assets	442	-	-	-	-	442
<b>Total assets</b>	<b>\$ 20,620,368</b>	<b>\$ 7,495,316</b>	<b>\$ 6,912,100</b>	<b>\$ 205,812</b>	<b>\$ 3,467,348</b>	<b>\$ 38,700,944</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 465,970	\$ 115,390	\$ 2,930	\$ -	\$ -	\$ 584,290
Contracts payable	-	-	-	-	308,798	308,798
Retainage payable	-	-	-	-	73,569	73,569
Due to other funds	-	310,000	-	-	-	310,000
<b>Total liabilities</b>	<b>465,970</b>	<b>425,390</b>	<b>2,930</b>	<b>-</b>	<b>382,367</b>	<b>1,276,657</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	-	32,781	-	-	-	32,781
<b>FUND BALANCE</b>						
Nonspendable	442	-	-	-	-	442
Restricted for capital projects	-	-	6,909,170	-	2,955,542	9,864,712
Committed	4,051,554	7,037,145	-	-	129,439	11,218,138
Assigned	-	-	-	205,812	-	205,812
Unassigned	16,102,402	-	-	-	-	16,102,402
<b>Total fund balance</b>	<b>20,154,398</b>	<b>7,037,145</b>	<b>6,909,170</b>	<b>205,812</b>	<b>3,084,981</b>	<b>37,391,506</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 20,620,368</b>	<b>\$ 7,495,316</b>	<b>\$ 6,912,100</b>	<b>\$ 205,812</b>	<b>\$ 3,467,348</b>	<b>\$ 38,700,944</b>

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

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

June 30, 2018

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

Total fund balances - governmental funds (Exhibit A-2)		\$	37,391,506
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds.			4,638,670
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Sales tax refund payable	(220,000)		
Capital leases	(88,443)		
Accrued interest	(1,081)		
Accrued compensated absences	<u>(7,708)</u>		(317,232)
Some revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current period expenditures.			32,781
Pension related obligations that are not due and payable with current resources and, therefore, are not reported in governmental funds.			
Deferred outflows related to pension liability	61,068		
Net pension liability	(186,970)		
Deferred inflows related to pension liability	<u>(47,733)</u>		<u>(173,635)</u>
Net position of governmental activities (Exhibit A)		\$	<u>41,572,090</u>

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

**CITY OF CENTRAL, LOUISIANA**

Exhibit A-4

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

For the year ended June 30, 2018

	Special Revenue Funds				Capital Outlay and Improvement Fund	Total Governmental Funds
	General	ESDRIM	Half Cent Sales Tax	Traffic Contribution		
<b>REVENUES</b>						
Taxes:						
Sales and use	\$ 7,073,366	\$ -	\$ 1,311,084	\$ -	\$ -	\$ 8,384,450
Franchise	-	1,583,494	-	-	-	1,583,494
Charges for services	1,123,928	-	-	-	-	1,123,928
Intergovernmental grants and contributions	8,250	1,052,419	-	-	178,281	1,238,950
Investment income	138,776	87,497	84,775	-	-	311,048
Total revenues	<u>8,344,320</u>	<u>2,723,410</u>	<u>1,395,859</u>	<u>-</u>	<u>178,281</u>	<u>12,641,870</u>
<b>EXPENDITURES</b>						
Current function:						
General government	743,632	-	-	-	-	743,632
Health and welfare	114,440	-	-	-	-	114,440
Public works	4,623,388	962,491	-	-	4,441,039	10,026,918
Highways and streets	-	-	26,851	-	-	26,851
Public safety - police	487,450	-	-	-	-	487,450
Debt service:						
Principal	29,379	-	-	-	-	29,379
Interest	3,569	-	-	-	-	3,569
Capital outlay	75,150	-	-	-	1,815,892	1,891,042
Total expenditures	<u>6,077,008</u>	<u>962,491</u>	<u>26,851</u>	<u>-</u>	<u>6,256,931</u>	<u>13,323,281</u>
Excess (deficiency) of revenues over expenditures	2,267,312	1,760,919	1,369,008	-	(6,078,650)	(681,411)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	4,532,279	4,532,279
Transfers out	(95,380)	(495,000)	(3,941,899)	-	-	(4,532,279)
Total other financing sources (uses)	<u>(95,380)</u>	<u>(495,000)</u>	<u>(3,941,899)</u>	<u>-</u>	<u>4,532,279</u>	<u>-</u>
Net change in fund balance	2,171,932	1,265,919	(2,572,891)	-	(1,546,371)	(681,411)
<b>FUND BALANCE</b>						
Beginning of year	17,982,466	5,771,226	9,482,061	205,812	4,631,352	38,072,917
End of year	<u>\$ 20,154,398</u>	<u>\$ 7,037,145</u>	<u>\$ 6,909,170</u>	<u>\$ 205,812</u>	<u>\$ 3,084,981</u>	<u>\$ 37,391,506</u>

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

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

For the year ended June 30, 2018

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

Net change in fund balance - total governmental fund (Exhibit A-4)	\$	(681,411)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.</p>		
Capital outlay	\$ 1,891,042	
Depreciation expense	<u>(311,709)</u>	1,579,333
<p>The net effect of various non cash transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.</p>		
		58,262
<p>Some revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current period expenditures.</p>		
Operating grants		(927,135)
<p>The issuance of long-term debt for capital leases provides current financial resources to governmental funds. In the statement of net position, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, payment of principal is an expenditure in the governmental funds but reduces the liability in the statement of activities.</p>		
Scheduled principal payments on leases		29,379
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued interest payable	248	
Net change in compensated absences payable	<u>(387)</u>	(139)
<p>Changes in net pension obligations are reported only in the Statement of Activities.</p>		
		<u>(18,676)</u>
Change in net position of governmental activities (Exhibit A-1)	\$	<u>39,613</u>

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

**CITY OF CENTRAL, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

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

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

**Statement Presentation**

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

**Reporting Entity**

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

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

- Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name;
- Whether the City governing authority (the Council and/or Mayor) appoints a majority of board members of the potential component unit;
- Fiscal interdependency between the City and the potential component unit;
- Imposition of will by the City on the potential component unit; and
- Financial benefit/burden relationship between the City and the potential component unit.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

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

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

(Continued)

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Fund Financial Statements (continued)**

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

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

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

### ***Governmental Fund Types***

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

***General Fund*** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### *Government-wide financial statements*

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

#### *Fund financial statements*

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

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

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Cash, Cash Equivalents, and Investments**

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

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

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

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

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 significant other observable inputs; Level 3 inputs are significant unobservable inputs.

### **Accounts Receivable and Due from Other Governments**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities, uncollectible amounts due for receivables and due from other governments are recognized as bad debts through the use of an allowance account or expensed at the time information becomes available indicating that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged directly to the revenue reported. Due from other governments amounts related to grants are estimates, actual results may differ from those estimates. No allowance has been recorded at June 30, 2018.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Interfund Receivables/Payables**

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

**Deferred Outflows and Inflows of Resources**

*Government-wide Statements*

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

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

*Fund Financial Statements*

In the fund financial statements, unavailable revenues are accounted as deferred inflows of resources. This item is reported only in the governmental funds balance sheet. The amounts deferred are recognized as an inflow of resources in the period that the amounts become available. The governmental funds report deferred revenues from intergovernmental grants and franchise fees not received in the period of availability.

**Capital Assets**

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

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (continued)**

*Government-wide Statements*

In the government-wide financial statements, long-term assets are accounted for as capital assets, which include land and land improvements, buildings and leasehold improvements, equipment, furniture and infrastructure assets (streets, roads, bridges and drainage systems). All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation and primarily relate to public safety equipment and vehicles. The City's capitalization policy stipulates a capitalization threshold of \$1,000.

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

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

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

*Fund Financial Statements*

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

**Compensated Absences**

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

### **Government-wide Net Position**

Government-wide net position is divided into three components:

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

### ***Use of Restricted Resources***

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

### **Governmental Fund Balances**

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Governmental Fund Balances (continued)**

#### *Use of Restricted Resources*

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

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

#### **Budget Policy and Budgetary Accounting**

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

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

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

#### **Estimates**

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

#### **Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 21, 2018, which was the date the financial statements were available to be issued.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Deposits**

At June 30, 2018, the carrying amount of the City's deposits totaled \$15,548,813 and the related bank balances were \$15,571,829. The bank balance is secured by federal depository insurance and collateral held by the City's agent in the City's name.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's cash and investment policy, as well as state law, require that deposits be fully secured. At June 30, 2018, the City's deposits were not exposed to any custodial risk.

**Investments**

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

At June 30, 2018, the fair value/carrying value of investments in U.S. agency obligations and corporations totaled \$17,140,465 and \$4,036,743, respectively, with all securities maturing between 1 and 5 years. At year end, the City's investments were not exposed to any custodial credit risk.

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

**Cash, Cash Equivalents, and Investments Summary**

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

	Amount
Category 1 - Amount insured by the FDIC	\$ 250,000
Category 2 - Amount collateralized with securities held by pledging financial institution's trust department in the City's name	19,358,573
Balances not subject to categorization:	
Investments in U.S. securities	17,140,465
Total bank balances	\$ 36,749,038

**NOTE 3 - DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2018 consisted of the following:

	<u>Amount</u>
Sales and use tax	\$ 1,151,716
Grants	<u>15,975</u>
Total primary government	<u>\$ 1,167,691</u>

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2018, were as follows:

	<u>Amount</u>
Franchise fees	\$ 369,380
Investment interest	108,826
Other	<u>18,584</u>
Total primary government	<u>\$ 496,790</u>

(Continued)

**NOTE 5 - CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated</b>				
Construction in progress	\$ 130,686	\$ 268,344	\$ 106,019	\$ 293,011
<b>Capital assets being depreciated</b>				
Leasehold improvements	74,561	-	-	74,561
Equipment	342,548	20,027	-	362,575
Vehicles	344,356	113,385	-	457,741
Infrastructure	<u>3,196,291</u>	<u>1,653,567</u>	<u>-</u>	<u>4,849,858</u>
Total capital assets	<u>4,088,442</u>	<u>2,055,323</u>	<u>106,019</u>	<u>6,037,746</u>
<b>Less accumulated depreciation for:</b>				
Leasehold improvements	73,606	956	-	74,562
Equipment	305,264	15,187	-	320,451
Vehicles	178,736	98,436	-	277,172
Infrastructure	<u>529,761</u>	<u>197,130</u>	<u>-</u>	<u>726,891</u>
Total accumulated depreciation	<u>1,087,367</u>	<u>311,709</u>	<u>-</u>	<u>1,399,076</u>
<b>Depreciable capital assets, net</b>	<u>2,870,389</u>	<u>1,475,270</u>	<u>-</u>	<u>4,345,659</u>
<b>Total capital assets, net</b>	<u>\$3,001,075</u>	<u>\$ 1,743,614</u>	<u>\$ 106,019</u>	<u>\$ 4,638,670</u>

Depreciation expense for the year ended June 30, 2018 charged to general government, public safety, and highways and streets functions was \$16,143, \$98,436, and \$197,130, respectively.

**NOTE 6 - LONG-TERM DEBT**

Long-term debt obligations for the primary government's governmental activities at June 30, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within one year
Net Pension obligations	\$201,251	\$ 4,697	\$ 18,978	\$186,970	\$ -
Capital lease obligations	117,822	-	29,379	88,443	31,412
Accrued compensated absences	<u>7,321</u>	<u>1,419</u>	<u>1,032</u>	<u>7,708</u>	<u>625</u>
Total	<u>\$326,394</u>	<u>\$ 6,116</u>	<u>\$ 49,389</u>	<u>\$283,121</u>	<u>\$ 32,037</u>

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**Debt Service Requirements to Maturity**

The City considers accrued compensated absences to be current maturities of long-term debt. The annual debt service requirements to amortize outstanding long-term debt of the primary government's governmental-type activities at June 30, 2018 are as follows:

Maturity	Capital Leases		
	Principal	Interest	Total
2018	\$ 31,412	\$ 3,799	\$ 35,211
2019	32,716	2,495	35,211
2020	11,952	838	12,790
2021	12,363	426	12,789
Totals	\$ 88,443	\$ 7,558	\$ 96,001

**NOTE 7 - CONTINGENCIES**

**Risk Management**

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

**Engineering Contracts**

At June 30, 2018, the City had outstanding commitments from construction contracts in progress of \$4,771,071 and approximately \$129,761 related to architecture contracts.

**Grants**

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

(Continued)

**NOTE 7 - CONTINGENCIES (CONTINUED)**

**Lawsuits**

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

In November 2014, a judgment against the City resulted in a refund of sales taxes of approximately \$220,000, including interest and legal expenses incurred by plaintiff. This amount has accrued as of June 30, 2018.

**NOTE 8 - INTERGOVERNMENTAL AGREEMENTS**

**Animal Control Services Agreement**

The City has a contractual arrangement whereby the Parish agrees to provide the services of the Parish's Animal Control Department to the City based on an annual fee. For 2018, the City will pay the Parish \$114,440 annually, or \$9,537 per month.

**City Operations Services Agreement**

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

In consideration for the service provided by IBTS under the new contract, the City will pay a base compensation for the next five years as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 4,129,089
2020	4,252,962
2021	4,380,551
2022	4,511,967
2023	4,647,326

The City will compensate IBTS 100% of building permit fees for completed permits up to \$200,000 in a given year. If permit fees collected in a given year are greater than \$200,000, IBTS will refund the City 10% of the permit fees collected. Additionally, the City will pay drainage maintenance fees of \$28,123 and \$21,425 per mile for excavation and cleaning, respectively.

**NOTE 9 - PENSION PLAN**

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

## NOTE 9 - PENSION PLAN (CONTINUED)

Pertinent information relative to the plan is as follows:

### **Plan Description**

The Municipal Employees' Retirement System of Louisiana (MERS) is the administrator of a cost sharing multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 2017, there were 84 contributing municipalities in Plan A.

The Municipal Employees' Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended June 30, 2017. Access to the report can be found on System's website, <http://www.mersla.com>, or the Louisiana Legislative Auditor's website, [www.la.gov](http://www.la.gov).

### **Funding Policy**

Plan members are required by state statute to contribute 9.50 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 22.75 percent of annual payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The City's contribution to the System under Plan A for the years ended June 30, 2018, 2017 and 2016 was \$20,240, \$18,978 and \$16,876, respectively.

### **Pension Liabilities and Expense and Deferred Outflows and Inflows of Resources**

At June 30, 2018, the City reported a net pension liability of \$186,970 for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Based on the actuarial valuation as of June 30, 2017, the City's proportion was 0.044693%, which was a decrease of 0.004408% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$21,427.

**NOTE 9 - PENSION PLAN (CONTINUED)**

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

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (5,695)
Changes of assumptions	3,126	-
Net difference between projected and actual earnings on pension plan investments	37,702	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	(41,995)
Differences between allocated and actual contributions	-	(43)
Employer contributions subsequent to the measurement date	20,240	-
	<u>\$ 61,068</u>	<u>\$ (47,733)</u>

The City reported \$20,240 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	MERS
2018	\$ (27,244)
2019	10,408
2020	8,231
2021	1,701
	<u>\$ (6,905)</u>

(Continued)

**NOTE 9 - PENSION PLAN (CONTINUED)**

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

**Actuarial Assumptions**

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

Valuation Dates	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Expected Remaining Service Lives	3 years (2016 and 2015)
Investment Rate of Return	7.4%, net of investment expense
Mortality	RP-2000 Healthy Annuitant Sex Distinct (set forward 2 years for males and 1 year females)  RP-2000 Employees Sex Distinct (set back 2 years for males and for females)  RP-2000 Disabled Lives Mortality Table for annuitants (set back 5 years for males and 3 years for females)
Salary Increases	5.0% (2.775% Inflation, 2.225% Merit)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

(Continued)

**NOTE 9 - PENSION PLAN (CONTINUED)**

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

**Actuarial Assumptions**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

**Sensitivity to Changes in Discount Rate**

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

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
<b>MERS</b>			
Discount Rates	6.4%	7.4%	8.4%
Shares of Net Pension Liability	\$ 238,262	\$ 186,970	\$ 143,219

(Continued)

**NOTE 10 - RESTRICTED NET POSITION AND GOVERNMENTAL FUND BALANCES**

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

	Amount
Net assets/fund balance restricted for:	
Capital projects and maintenance:	
Restricted sales tax for construction	\$ 6,624,842
Restricted sales tax for rehabilitation	2,908,979
Restricted sales tax for beautification	330,891
Total restricted net position/fund balance	\$ 9,864,712

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

	Amount
Fund balance committed for:	
Operating reserve fund	\$ 4,051,554
Emergency, repairs and maintenance	
Dedicated franchise tax for emergency	3,814,371
Dedicated franchise tax for drainage	405,334
Dedicated franchise tax for road maintenance	2,817,440
Capital outlay and improvements	129,439
Total committed fund balance	\$ 11,218,138

**NOTE 11 - COUNCIL MEMBER COMPENSATION**

During the year ended June 30, 2018, Council members received compensation, including per diem payments, as follows:

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CENTRAL, LOUISIANA  
GENERAL FUND**

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

For the year ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
<b>REVENUES</b>				
Sales and use taxes	\$ 7,338,861	\$ 7,104,077	\$ 7,073,366	\$ (30,711)
Charges for services	1,077,141	1,059,045	1,123,928	64,884
Intergovernmental grants and contributions	31,500	18,200	8,250	(9,950)
Investment income	18,304	440	138,776	138,336
Total revenues	<u>8,465,806</u>	<u>8,181,762</u>	<u>8,344,320</u>	<u>162,559</u>
<b>EXPENDITURES</b>				
Current function:				
General government	1,015,023	776,530	743,632	32,898
Health and welfare	114,440	114,440	114,440	-
Public works	4,938,768	4,729,576	4,623,388	106,188
Public safety - police	446,513	395,854	487,450	(91,596)
Debt service	98,212	103,741	32,948	70,793
Capital outlay	116,464	122,782	75,150	47,632
Total expenditures	<u>6,729,420</u>	<u>6,242,923</u>	<u>6,077,008</u>	<u>165,915</u>
Excess of revenues over expenditures	1,736,386	1,938,839	2,267,312	328,474
<b>OTHER FINANCING USES</b>				
Transfers out	-	(103,850)	(95,380)	8,470
Net change in fund balance	<u>\$ 1,736,386</u>	<u>\$ 1,834,989</u>	2,171,932	<u>\$ 336,944</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>17,982,466</u>	
End of year			<u>\$ 20,154,398</u>	

**CITY OF CENTRAL, LOUISIANA**  
**ESDRIM FUND**

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

For the year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance - positive (negative)
<b>REVENUES</b>				
Franchise taxes	\$ 1,771,469	\$ 1,680,563	\$ 1,583,494	\$ (97,069)
Intergovernmental grants	-	1,052,419	1,052,419	-
Investment income	16,640	7,572	87,497	79,925
Total revenues	1,788,109	2,740,554	2,723,410	(17,144)
<b>EXPENDITURES</b>				
Current function:				
Public works	35,665	1,479,361	962,491	516,870
Excess of revenues over expenditures	1,752,444	1,261,193	1,760,919	499,726
<b>OTHER FINANCING USES</b>				
Transfers out	(175,000)	(495,000)	(495,000)	-
Net change in fund balance	\$ 1,577,444	\$ 766,193	1,265,919	\$ 499,726
<b>FUND BALANCE</b>				
Beginning of year			5,771,226	
End of year			\$ 7,037,143	

**CITY OF CENTRAL, LOUISIANA  
HALF CENT SALES TAX FUND**

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

For the year ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
<b>REVENUES</b>				
Sales and use taxes	\$ 1,830,147	\$ 1,314,603	\$ 1,311,084	\$ (3,519)
Investment income	<u>36,018</u>	<u>26,984</u>	<u>84,775</u>	<u>57,791</u>
Total revenues	<u>1,866,165</u>	<u>1,341,587</u>	<u>1,395,859</u>	<u>54,272</u>
<b>EXPENDITURES</b>				
Current function:				
Highways and streets	<u>54,228</u>	<u>30,715</u>	<u>26,851</u>	<u>3,864</u>
Excess of revenues over expenditures	1,811,937	1,310,872	1,369,008	58,136
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(1,350,000)</u>	<u>(3,941,899)</u>	<u>(3,941,899)</u>	<u>-</u>
Net change in fund balance	<u>\$ 461,937</u>	<u>\$ (2,631,027)</u>	<u>(2,572,891)</u>	<u>\$ 58,136</u>
<b>FUND BALANCE</b>				
Beginning of year			<u>9,482,061</u>	
End of year			<u>\$ 6,909,170</u>	

**CITY OF CENTRAL, LOUISIANA**  
**SCHEDULE OF PROPORTIONATE SHARE**  
**OF NET PENSION LIABILITY**

**LAST TEN FISCAL YEARS (1)**

For the year ended June 30, 2018

**Municipal Employees' Retirement System (MERS):**

As of the fiscal year ended (2):	2018	2017	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.04469%	0.04910%	0.08222%	0.00349%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 186,970	\$ 201,251	\$ 293,692	\$ 89,646
Employer's Covered-Employee Payroll	81,164	87,712	136,065	136,065
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	230.4%	229.4%	215.8%	65.9%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63%	63%	66%	74%

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

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

See Independent Auditors' Report

**CITY OF CENTRAL, LOUISIANA**  
**SCHEDULE OF PENSION CONTRIBUTIONS**

LAST TEN FISCAL YEARS (1)

For the year ended June 30, 2018

**Municipal Employees' Retirement System (MERS):**

<u>As of the fiscal year ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Excess (Deficiency)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
6/30/2018	\$ 20,240	\$ 20,240	\$ -	\$ 81,776	24.75%
6/30/2017	18,464	18,464	-	81,164	22.75%
6/30/2016	17,323	17,323	-	87,712	19.75%
6/30/2015	26,873	26,873	-	136,065	19.75%

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

See Independent Auditors' Report

**CITY OF CENTRAL, LOUISIANA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For the year ended June 30, 2018

**NOTE 1 - BUDGETS**

**Budget Policy and Budgetary Accounting**

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

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

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

**Basis of Accounting**

All of the City's funds' budgets are prepared on the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements for the year ended June 30, 2018. The City's basis of budgetary accounting follows generally accepted accounting principles.

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

**Changes of Benefit Terms**

No changes.

**Changes of Assumptions**

The discount rate decreased from 7.50% to 7.40%. Additionally, the inflation rate decreased from 2.875% to 2.775%.

**SUPPLEMENTARY INFORMATION**

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

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

For the year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance - positive (negative)
<b>REVENUES</b>				
Intergovernmental grants	\$ 224,555	\$ 134,251	\$ 178,281	\$ 44,030
 <b>EXPENDITURES</b>				
Current function:				
Public works	3,168,666	4,094,957	4,441,039	(4,441,039)
Capital outlay	850,000	1,826,535	1,815,892	2,279,065
Total expenditures	4,018,666	5,921,492	6,256,931	(335,439)
Deficiency of expenditures over revenue	(3,706,556)	(5,787,241)	(6,078,650)	(291,409)
 <b>OTHER FINANCING SOURCES</b>				
Transfers in	1,525,000	4,540,749	4,532,279	(8,470)
Net change in fund balance	\$ (2,181,556)	\$ (1,246,492)	(1,546,371)	\$ (299,879)
 <b>FUND BALANCE</b>				
Beginning of year			4,631,352	
End of year			\$ 3,084,981	

CITY OF CENTRAL, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND  
OTHER PAYMENTS TO AGENCY HEAD

For the year ended June 30, 2018

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

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 55,000
Benefits - retirement	13,613
Continuing professional education	340
Special meals	166
	<u>\$ 69,119</u>

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

**CITY OF CENTRAL, LOUISIANA**

For the year ended June 30, 2018



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the **CITY OF CENTRAL, LOUISIANA (CITY)** as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 2018

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

## **Purpose of this Report**

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

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

*Kauld & Wimble, LLC*  
Certified Public Accountants

Baton Rouge, Louisiana  
December 21, 2018

**CITY OF CENTRAL, LOUISIANA**  
**SCHEDULE OF FINDINGS AND RESPONSES**

For the year ended June 30, 2018

**1) Summary of Auditors' Results:**

- A) The type of report issued on the financial statements: **Unmodified opinion.**
- B) Significant deficiency in internal control were disclosed by the audit of financial statements:  
**None.**  
  
Material weaknesses: **None.**
- C) Noncompliance that is material to the financial statements: **None.**
- D) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **None.**

**2) Findings – Financial Statement Audit**

**None.**

**CITY OF CENTRAL, LOUISIANA**

**SUMMARY OF PRIOR YEAR FINDINGS AND RESPONSES**

For the year ended June 30, 2018

**2017-001 Violation of State Budget Law**

This matter is considered resolved.

**2017-002 Cash Management**

This matter is considered resolved.

**CITY OF CENTRAL, LOUISIANA**

**AGREED-UPON PROCEDURES REPORT**

June 30, 2018

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below, which were agreed to by the City of Central (The City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 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, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are included in the supplement to this report.

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

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

*Faulk & Winkler, LLC*  
Certified Public Accountants

Baton Rouge, LA  
December 21, 2018

**CITY OF CENTRAL  
SUPPLEMENTAL SCHEDULE OF AGREED-UPON PROCEDURES AND FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving
  - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
  - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
  - g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
  - h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
  - i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
  - j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

***Board or Finance Committee***

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2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- 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.

### ***Bank Reconciliations***

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

### ***Collections***

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

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
  - e) Trace the actual deposit per the bank statement to the general ledger.

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

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

### *Credit Cards/Debit Cards/Fuel Cards/P-Cards*

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

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

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

No exceptions were noted in the prior year report dated December 29, 2017. Therefore, the above procedure, step 14, was not performed for the year ended June 30, 2018.

## *Contracts*

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
  - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
  - 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 were noted in the prior year report dated December 29, 2017. Therefore, the above procedure, step 15, was not performed for the year ended June 30, 2018.

## *Payroll and Personnel*

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16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

No exceptions were noted in the prior year report dated December 29, 2017. Therefore, the above procedures, steps 16, 17, 18, and 19, were not performed for the year ended June 30, 2018.

### *Ethics*

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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.

No exceptions were noted in the prior year report dated December 29, 2017. Therefore, the above procedure, step 20, was not performed for the year ended June 30, 2018.

### *Debt Service*

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

No exceptions were noted in the prior year report dated December 29, 2017. Therefore, the above procedures, steps 21 and 22, were not performed for the year ended June 30, 2018.

### *Other*

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

No exceptions were noted in the prior year report dated December 29, 2017. Therefore, the above procedures, steps 23 and 24, were not performed for the year ended June 30, 2018.

**CITY OF CENTRAL  
SCHEDULE OF EXCEPTIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Reference</u>	<u>Description of Exception</u>
<i>Written Policies and Procedures</i> Procedure 1b (1) (2) (3)	The City's policies do not include how purchases are initiated, how vendors are added to the vendor list, and the preparation of purchase requisitions and purchase orders.
<i>Board or Finance Committee</i> Procedure 2b	The City's Council minutes did not reference monthly budget-to-actual comparisons.
<i>Bank Reconciliations</i> Procedure 3c	The City had items outstanding for longer than 12 months on the operating bank reconciliation that had not been researched by management.
<i>Credit Cards/ Debit Cards/ Fuel Cards</i> Procedure 12a	There is no evidence that the credit card statements and related receipts are reviewed and approved by someone other than the authorized card holder.
Procedure 13(1)	One transaction was not supported by an itemized receipt.



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Office of the Mayor  
I.M. Shelton, Jr.  
Mayor

## MANAGEMENT'S RESPONSE TO SCHEDULE OF EXCEPTIONS YEAR ENDED JUNE 30, 2018

### 1. Written Policies and Procedures - Procedure 1b (1)(2)(3)

*Management's response:* The current policy and procedure for disbursements has been updated and adopted by the council to include adding vendors to the vendor list. Management will explore the implementation of a purchase order system/procedure for the future.

### 2. Board or Finance Committee - Procedure 2b

*Management's response:* The Finance Department has implemented the monthly distribution of financials that contain budget to actual comparisons. The distribution will be reflected in the minutes of council meetings.

### 3. Bank Reconciliations - Procedure 3c

*Management's response:* The outstanding items on the bank reconciliations that were greater than 12 months have all been resolved. A periodic review of these items will occur as part of the routine monthly closeout procedure.

### 4. Credit Cards/ Debit Cards/ Fuel Cards - Procedure 12a

*Management's response:* Management intends to implement a policy to have someone other than the card holder review and approve all credit card statements and receipts.

### 5. Credit Cards/ Debit Cards/ Fuel Cards - Procedure 13(1)

*Management's response:* Management will make every effort to ensure that all receipts are obtained for all credit card purchases and reimbursement made to elected officials and employees.