

CITY OF PATTERSON, LOUISIANA

Financial Report

Year Ended June 30, 2017

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of net position	6
Statement of activities	7-8
Fund Financial Statements	
Governmental funds	
Balance sheet	11-13
Statement of revenues, expenditures, and changes in fund balances	14-16
Proprietary fund	
Statement of net position	17-18
Statement of revenues, expenses, and changes in net position	19
Statement of cash flows	20-21
Notes to financial statements	22-56
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	
General fund	58
Sewerage and solid waste sales tax fund	59
Ad valorem tax collection fund	60
Notes to budgetary comparison schedules	61
Schedule of employer's share of net pension liability	62
Schedule of employer contributions	63
Note to retirement system schedules	64
OTHER SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	
General fund	
Revenues	66-67
Expenditures	68-72
Combining financial statements	
Nonmajor governmental funds	
Balance sheet	73-76
Schedule of revenues, expenditures, and changes in fund balances	77-80
Schedule of number of utility customers	81
Comparative departmental analysis of revenues and expenses	
Utility fund	82-83
Schedule of insurance in force	84
Schedule of interest-bearing deposits	85-87

(continued)

TABLE OF CONTENTS (continued)

	<u>Page</u>
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	89-90
Summary schedule of prior audit findings	91
Schedule of audit results and findings	92-94
Management's corrective action plan for current audit findings	95

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Penny Angelle Scruggins, CPA
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA

Casey L. Ardoin, CPA
Alan M. Taylor, CPA
Stephen R. Moore, Jr., CPA, PFS, CFP®, ChFC®*
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Mandy B. Self, CPA
Paul L. Delcambre, Jr., CPA
Jane R. Hebert, CPA
Deidre L. Stock, CPA
Karen V. Fontenot, CPA
Tabby A. LeMay, CPA
Shayne M. Breaux, CPA

* A Professional Accounting Corporation

183 South Beadle Rd
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Iberna, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bndge St
Breaux Bndge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

434 East Main Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddil St
Marksville LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

1428 Metro Dnve
Alexandna, LA 71301
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KCSRCPAS.COM

Retired
Conrad O. Chapman, CPA* 2006

INDEPENDENT AUDITOR'S REPORT

The Honorable Rodney Grogan, Mayor
and Members of the City Council
City of Patterson, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Patterson, Louisiana (hereinafter "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison schedules and schedules for employer's share of net pension liability and employer's pension contributions 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 an assurance on the budgetary comparison schedules on pages 58 through 61, schedule of employer's share of net pension liability on page 62, schedule of employer contributions on page 63, and note to retirement system schedules on page 64 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information on pages 66 through 87 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

#

Morgan City, Louisiana
December 29, 2017

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF PATTERSON, LOUISIANA

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 5,712,864	\$ 258,620	\$ 5,971,484
Interest-bearing deposits	6,614,655	968,247	7,582,902
Investments, at fair value	912,637	325,049	1,237,686
Receivables, net	221,677	422,656	644,333
Due from other governmental units	108,503	-	108,503
Due from (to) other funds	2,050,994	(2,050,994)	-
Prepaid insurance	19,713	19,177	38,890
Total current assets	<u>15,641,043</u>	<u>(57,245)</u>	<u>15,583,798</u>
Noncurrent assets:			
Restricted assets	-	433,227	433,227
Capital assets:			
Land and construction in progress	2,052,088	164,225	2,216,313
Depreciable, net of accumulated depreciation	5,663,490	2,101,122	7,764,612
Total noncurrent assets	<u>7,715,578</u>	<u>2,698,574</u>	<u>10,414,152</u>
Total assets	<u>23,356,621</u>	<u>2,641,329</u>	<u>25,997,950</u>
Deferred outflows of resources from pensions	<u>575,279</u>	<u>247,760</u>	<u>823,039</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	378,141	126,668	504,809
Accrued interest payable	54,092	-	54,092
Capital lease obligation	37,599	-	37,599
Bonds payable, current portion	355,000	-	355,000
Total current liabilities	<u>824,832</u>	<u>126,668</u>	<u>951,500</u>
Noncurrent liabilities:			
Customers' deposits payable	-	433,227	433,227
Net pension liability	1,574,922	606,310	2,181,232
Bonds payable, net of current portion	4,775,000	-	4,775,000
Total noncurrent liabilities	<u>6,349,922</u>	<u>1,039,537</u>	<u>7,389,459</u>
Total liabilities	<u>7,174,754</u>	<u>1,166,205</u>	<u>8,340,959</u>
Deferred inflows of resources from pensions	<u>234,103</u>	<u>29,483</u>	<u>263,586</u>
NET POSITION			
Net investment in capital assets	2,547,979	2,265,347	4,813,326
Restricted for:			
Debt service	770,022	-	770,022
Other purposes	11,144,835	-	11,144,835
Unrestricted (deficit)	2,060,207	(571,946)	1,488,261
Total net position	<u>\$ 16,523,043</u>	<u>\$ 1,693,401</u>	<u>\$18,216,444</u>

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

CITY OF PATTERSON, LOUISIANA

Statement of Activities
Year Ended June 30, 2017

Activities	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,158,363	\$ 291,600	\$ 9,434	\$ 50,000
Public safety				
Police	1,912,757	406,421	18,692	-
Fire	120,225	-	26,560	-
Sanitation	480,044	433,794	1,002	-
Streets and drainage	888,650	58,390	10,629	-
Culture and recreation	81,673	-	-	-
Interest and fiscal charges on long-term debt	<u>188,637</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	4,830,349	1,190,205	66,317	50,000
Business-type activities:				
Utility Fund	<u>2,678,983</u>	<u>2,257,515</u>	<u>18,739</u>	<u>-</u>
Total	<u>\$ 7,509,332</u>	<u>\$ 3,447,720</u>	<u>\$ 85,056</u>	<u>\$ 50,000</u>

General revenues:

Taxes -

 Property taxes

 Sales and use taxes

 Other taxes

Grants and contributions not restricted to specific programs

 Local sources

Interest and investment earnings

Miscellaneous

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net Position - July 1, 2016

Net Position - June 30, 2017

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

Net (Expense) Revenues and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (807,329)	\$ -	\$ (807,329)
(1,487,644)	-	(1,487,644)
(93,665)	-	(93,665)
(45,248)	-	(45,248)
(819,631)	-	(819,631)
(81,673)	-	(81,673)
<u>(188,637)</u>	<u>-</u>	<u>(188,637)</u>
(3,523,827)	-	(3,523,827)
<u>-</u>	<u>(402,729)</u>	<u>(402,729)</u>
<u>(3,523,827)</u>	<u>(402,729)</u>	<u>(3,926,556)</u>
580,647	-	580,647
1,853,888	-	1,853,888
283,893	-	283,893
108,045	-	108,045
8,977	-	8,977
121,114	1,319	122,433
93,090	-	93,090
<u>(191,158)</u>	<u>191,158</u>	<u>-</u>
<u>2,858,496</u>	<u>192,477</u>	<u>3,050,973</u>
(665,331)	(210,252)	(875,583)
<u>17,188,374</u>	<u>1,903,653</u>	<u>19,092,027</u>
<u>\$ 16,523,043</u>	<u>\$ 1,693,401</u>	<u>\$ 18,216,444</u>

FUND FINANCIAL STATEMENTS

MAJOR FUNDS' DESCRIPTIONS

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

Sewerage and Solid Waste Sales Tax Fund

To account for the receipt and use of proceeds of the City's ¾% sales and use tax. These taxes are dedicated to the construction, acquisition, extension, improvement, operation and maintenance of solid waste collection and disposal facilities.

Ad Valorem Tax Collection Fund

To account for the receipt of the City's general alimony and debt service ad valorem tax millages. Taxes collected under the general alimony millage of 8.20 mills are transferred to the General Fund and available for use in general governmental operations. Taxes collected under the debt service millage of 12.41 mills are transferred to the Public Improvement Bond Fund and are restricted for use in retirement of the City's general obligation debt.

CAPITAL PROJECTS FUND

Water Plant Construction Fund

To account for the financial resources to be used for the construction of a new water plant for the City. The financial resources to be accounted for include the proceeds of \$5,000,000 General Obligation Bonds, Series 2012.

ENTERPRISE FUND

Utility Fund

To account for the provision of gas, water, and sewerage services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

CITY OF PATTERSON, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2017

	General	Sewerage and Solid Waste Sales Tax	Ad Valorem Tax Collection
ASSETS			
Cash	\$ 160,612	\$ 1,221,951	\$ 177,562
Interest-bearing deposits	2,120,216	3,064,851	16,630
Investments, at fair value	-	912,637	-
Receivables -			
Taxes	95,964	54,561	4,348
Property assessments	-	-	-
Other	59,525	184	228
Due from other governmental units	43,503	-	-
Due from other funds	663,687	114,295	410,159
Advances to other funds	<u>1,500,000</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 4,643,507</u>	<u>\$ 5,368,479</u>	<u>\$ 608,927</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 69,595	\$ 3,306	\$ -
Accrued liabilities	100,855	-	-
Due to other funds	<u>425,323</u>	<u>23,000</u>	<u>608,927</u>
Total liabilities	<u>595,773</u>	<u>26,306</u>	<u>608,927</u>
Deferred inflows of resources			
Deferred revenues	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	1,500,000	-	-
Restricted	663,687	5,342,173	-
Assigned	146,122	-	-
Unassigned (deficit)	<u>1,737,925</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>4,047,734</u>	<u>5,342,173</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,643,507</u>	<u>\$ 5,368,479</u>	<u>\$ 608,927</u>

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

<u>Water Plant Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,697,206	\$ 455,533	\$ 5,712,864
-	1,412,958	6,614,655
-	-	912,637
-	-	154,873
-	6,628	6,628
-	239	60,176
-	65,000	108,503
-	862,429	2,050,570
-	-	1,500,000
<u>\$ 3,697,206</u>	<u>\$ 2,802,787</u>	<u>\$ 17,120,906</u>

\$ 204,385	\$ -	\$ 277,286
-	-	100,855
200	442,126	1,499,576
<u>204,585</u>	<u>442,126</u>	<u>1,877,717</u>

-	71,628	71,628
---	--------	--------

-	-	1,500,000
3,492,621	2,416,376	11,914,857
-	-	146,122
-	(127,343)	1,610,582
<u>3,492,621</u>	<u>2,289,033</u>	<u>15,171,561</u>
<u>\$ 3,697,206</u>	<u>\$ 2,802,787</u>	<u>\$ 17,120,906</u>

(continued)

CITY OF PATTERSON, LOUISIANA

Balance Sheet (continued)

Governmental Funds

June 30, 2017

Reconciliation of the governmental funds balance sheet to the statement of net position:

Total fund balances for governmental funds at June 30, 2017		\$ 15,171,561
Total net position reported for governmental activities in the statement of net position is different because:		
Property assessments in governmental funds are not considered financial resources until collected.		6,628
Expenses paid during the year but attributable to periods after the current year (primarily insurance) are recorded as prepaid expenses in the statement of net position.		19,713
Deferred outflows of resources related to net pension liability are not available resources and, therefore are not reported in the funds		575,279
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Cost of capital assets	12,608,526	
Less: Accumulated depreciation	<u>(4,892,948)</u>	7,715,578
Receivables from sale of assets are not available to pay for current year expenditures and are deferred in the fund financial statements.		65,000
Long-term liabilities, including bonds and certificates payable in the current period, are not reported as liabilities in the funds.		
Bonds and certificates payable	(5,130,000)	
Accrued interest payable	(54,092)	
Capital lease obligation payable	(37,599)	
Net pension liability	<u>(1,574,922)</u>	(6,796,613)
Deferred inflows of resources related to net pension liability are not payable from current expendable resources and, therefore, are not reported in the funds		<u>(234,103)</u>
Total net position of governmental activities at June 30, 2017		<u>\$ 16,523,043</u>

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

CITY OF PATTERSON, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2017

	General	Sewerage and Solid Waste Sales Tax	Ad Valorem Tax Collection
Revenues:			
Taxes	\$ 1,437,936	\$ 699,845	\$ 580,647
Licenses and permits	187,252	-	-
Intergovernmental	313,064	-	-
Charges for services	596,532	-	-
Fines and forfeits	204,427	-	-
Miscellaneous	100,287	4,666	25,778
Total revenues	<u>2,839,498</u>	<u>704,511</u>	<u>606,425</u>
Expenditures:			
Current -			
General government	886,250	-	33,198
Public safety:			
Police	1,978,321	-	-
Fire	35,222	-	-
Sanitation	477,247	-	-
Culture and recreation	76,772	-	-
Streets and drainage	720,131	-	-
Capital outlay	325,708	-	-
Debt service -			
Principal retirement	36,616	-	-
Interest and fiscal charges	1,996	-	-
Total expenditures	<u>4,538,263</u>	<u>-</u>	<u>33,198</u>
Excess (deficiency) of revenues over expenditures	<u>(1,698,765)</u>	<u>704,511</u>	<u>573,227</u>
Other financing sources (uses):			
Operating transfers in	1,399,925	-	-
Proceeds from sale of asset	-	-	-
Operating transfers out	(67,675)	(1,468,677)	(573,227)
Total other financing sources (uses)	<u>1,332,250</u>	<u>(1,468,677)</u>	<u>(573,227)</u>
Net change in fund balances	(366,515)	(764,166)	-
Fund balances, beginning	<u>4,414,249</u>	<u>6,106,339</u>	<u>-</u>
Fund balances, ending	<u>\$ 4,047,734</u>	<u>\$ 5,342,173</u>	<u>\$ -</u>

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

<u>Water Plant Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 2,718,428
-	-	187,252
50,000	26,560	389,624
-	-	596,532
-	-	204,427
-	1,901	132,632
<u>50,000</u>	<u>28,461</u>	<u>4,228,895</u>
-	-	919,448
-	-	1,978,321
-	6,006	41,228
-	-	477,247
-	-	76,772
-	-	720,131
428,827	-	754,535
-	340,000	376,616
-	185,548	187,544
<u>428,827</u>	<u>531,554</u>	<u>5,531,842</u>
<u>(378,827)</u>	<u>(503,093)</u>	<u>(1,302,947)</u>
-	607,722	2,007,647
-	65,000	65,000
-	(89,226)	(2,198,805)
-	583,496	(126,158)
(378,827)	80,403	(1,429,105)
<u>3,871,448</u>	<u>2,208,630</u>	<u>16,600,666</u>
<u>\$ 3,492,621</u>	<u>\$ 2,289,033</u>	<u>\$ 15,171,561</u>

(continued)

CITY OF PATTERSON, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
 Governmental Funds
 Year Ended June 30, 2017

Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities:

Total net changes in fund balances at June 30, 2017 per statement of revenues expenditures and changes in fund balances \$ (1,429,105)

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

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

Capital outlay which is considered expenditures on statement of revenues, expenditures and changes in fund balances	754,534
Depreciation expense for the year ended June 30, 2017	(381,725)

Governmental funds report the proceeds from the sale of capital assets as increases in financial resources. However, in the statement of activities, only the net gain or loss on the sale or disposition of capital assets is reported.	(112,694)
--	-----------

Bond principal repayments and capital lease payments are considered as an expenditure on the fund statement	376,616
---	---------

Governmental funds report collections of assessments for paving and other projects as revenues when they are collected. However, under full accrual accounting, the revenues would be recognized when earned. The fact that the debtor is repaying the debt over time does not preclude the recognition of the entire assessment as revenue at the time it is earned.	(540)
---	-------

Effects of recording net pension liability and deferred inflows and outflows of resources related to net pension liability	
Decrease in pension expense	94,205
Nonemployer pension contribution revenue	36,731

Some expenses reported in the statement of activities, such as compensated absences and accrued interest expense, do not require the use of current financial resources and are not reported as expenditures in governmental funds.	<u>(3,353)</u>
---	----------------

Total changes in net position at June 30, 2017 per statement of activities	<u>\$ (665,331)</u>
--	---------------------

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

CITY OF PATTERSON, LOUISIANA

Statement of Net Position
Proprietary Fund
June 30, 2017

ASSETS

Current assets:

Cash	\$ 258,620
Interest-bearing deposits	968,247
Investments	325,049
Receivables	
Customer accounts receivable, net	417,928
Accrued interest receivable	76
Other	4,652
Due from other funds	92,442
Prepaid insurance	<u>19,177</u>
Total current assets	<u>2,086,191</u>

Noncurrent assets:

Restricted assets -	
Cash	292,952
Interest-bearing deposits	140,275
Capital assets, net of accumulated depreciation	<u>2,265,347</u>
Total noncurrent assets	<u>2,698,574</u>
Total assets	<u>4,784,765</u>

Deferred outflows of resources from pensions	<u>247,760</u>
--	----------------

(continued)

CITY OF PATTERSON, LOUISIANA

Statement of Net Position (continued)

Proprietary Fund

June 30, 2016

LIABILITIES

Current liabilities:

Accounts payable	110,623
Accrued liabilities	16,045
Due to other funds	<u>643,436</u>
Total current liabilities	<u>770,104</u>

Noncurrent liabilities:

Advances from other funds	1,500,000
Net pension liability	606,310
Payable from restricted assets - Customers' meter deposits payable	<u>433,227</u>
Total liabilities	<u>3,309,641</u>

Deferred inflows of resources from pensions	<u>29,483</u>
---	---------------

NET POSITION

Net investment in capital assets	2,265,347
Unrestricted (deficit)	<u>(571,946)</u>
Total net position	<u>\$ 1,693,401</u>

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

CITY OF PATTERSON, LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 Year Ended June 30, 2017

Operating revenues:	
Charges for services -	
Gas sales and services	\$ 507,320
Water sales and services	1,146,665
Sewerage service	416,016
Delinquent charges	66,843
Commissions, transfers and reconnections	38,936
Miscellaneous	<u>100,474</u>
Total operating revenues	<u>2,276,254</u>
Operating expenses:	
Administrative	807,000
Gas department	605,823
Water department	694,883
Sewerage department	344,971
Depreciation	<u>226,306</u>
Total operating expenses	<u>2,678,983</u>
Operating loss	(402,729)
Nonoperating revenues (expenses):	
Interest income	<u>1,319</u>
Loss before transfers	(401,410)
Transfers Out	(200,000)
Transfers in	<u>391,158</u>
Change in net position	(210,252)
Net position, beginning	<u>1,903,653</u>
Net position, ending	<u>\$ 1,693,401</u>

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

CITY OF PATTERSON, LOUISIANA

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2017

Cash flows from operating activities:	
Receipts from customers	\$ 2,259,291
Payments to suppliers	(1,744,352)
Payments to employees	<u>(692,912)</u>
Net cash used by operating activities	<u>(177,973)</u>
Cash flows from noncapital financing activities:	
Payments from other funds	<u>149,194</u>
Cash flows from investing activities:	
Maturities of investments and interest-bearing deposits	686,884
Purchase of investments and interest-bearing deposits	(686,943)
Interest on investments	<u>1,319</u>
Net cash provided by investing activities	<u>1,260</u>
Net increase in cash and equivalents	(27,519)
Cash and equivalents, beginning of period	<u>1,000,706</u>
Cash and equivalents, end of period	<u>\$ 973,187</u>
	(continued)

CITY OF PATTERSON, LOUISIANA

Statement of Cash Flows (continued)
 Proprietary Fund
 Year Ended June 30, 2017

Reconciliation of operating loss to net cash used by
 operating activities:

Operating loss	\$ (402,729)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	226,306
Pension expense, net of nonemployer contributions	33,635
Changes in current assets and liabilities:	
Increase in accounts receivable	(14,745)
Increase in other receivables	(1,509)
Decrease in prepaid insurance	578
Decrease in accounts payable	(17,137)
Decrease in accrued liabilities	(1,664)
Decrease in customer meter deposits	<u>(708)</u>
Net cash used by operating activities	<u>\$ (177,973)</u>

Reconciliation of cash and equivalents per statement of cash
 flows to the statement of net position

Cash and equivalents, beginning of period -	
Cash and interest-bearing deposits - unrestricted	\$ 1,253,623
Less: Interest-bearing deposits that are not cash equivalents	(546,577)
Cash and interest-bearing deposits - restricted	<u>293,660</u>
Total cash and equivalents	<u>1,000,706</u>
Cash and equivalents, end of period -	
Cash and interest-bearing deposits - unrestricted	1,226,867
Less: Interest-bearing deposits that are not cash equivalents	(546,632)
Cash and interest-bearing deposits - restricted	<u>292,952</u>
Total cash and equivalents	<u>973,187</u>
Net increase	<u>\$ (27,519)</u>

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The City of Patterson (“City”) was incorporated March 11, 1907, under the provisions of the Lawrason Act. The City operated under a Mayor-Board of Aldermen form of government until December 31, 1992 at which time the City adopted a Home Rule Charter and now operates under an elected Mayor-Council, administrative-legislative form of government. The City’s operations include police and fire protection, streets and drainage, parks and recreation, residential waste collection services, certain social services and general administration services. The City owns and operates an enterprise fund that provides gas, water, and sewer services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to the accounting principles generally accepted in the United States of America applicable to state and local governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513, the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

Government Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set criteria to be considered in determining financial accountability. These criteria include:

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

Based on the aforementioned criteria, the City has no component units.

Related Organizations –

A related organization is an entity for which the primary government is not financially accountable even though the primary government may provide facilities and some financing or appoint a voting majority of the organization’s governing board. Based on the foregoing criteria, the following organizations are considered related organizations to the City and have not been included in the reporting entity:

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Housing Authority of the City of Patterson –

The Housing Authority of the City of Patterson is governed by a board appointed by the management of the City. However, the City's accountability for the housing authority does not extend beyond making the appointments.

Patterson Volunteer Fire Department –

The Patterson Volunteer Fire Department is governed by a group of volunteer citizens. The City provides facilities and some financing to the Volunteer Fire Department but the Department is not fiscally dependent on the City. However, the City includes revenues received and expenditures paid for the Volunteer Fire Department as part of its general fund.

Joint Ventures –

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The City has entered into joint venture arrangements with other governmental entities for the operation of the Wards 5 and 8 Joint Sewer Commission. See Note 17 for further discussion of the City's relationship with the Wards 5 and 8 Joint Sewer Commission.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

The various funds of the City are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

Governmental funds are those through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses, and balances of current financial resources.

The major governmental funds of the City are described below:

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.

Sewerage and Solid Waste Sales Tax Fund

This fund is used to account for the receipt and use of proceeds of the City's $\frac{3}{4}$ % sales and use tax. These taxes are dedicated to the construction, acquisition, extension, improvement, operation and maintenance of solid waste collection and disposal facilities.

Ad Valorem Tax Collection Fund

This fund is used to account for the receipt and distribution of the City's ad valorem taxes collected under its general alimony (8.20) and debt service (14.00) millages.

Water Plant Construction Fund

This fund is used to account for the use of financial resources to be used in the construction of a new water plant for the City.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds distinguish operating revenues expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund’s ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City has presented the following proprietary fund as a major fund:

Utility Fund

The Utility Fund is used to account for the provision of gas, water and sewer services to the residents of the City and certain unincorporated areas surrounding the City. All activities necessary to provide such services are accounted for in this fund, including but not limited to administration, operations, maintenance, financing and related debt service, and billing and collection of user charges.

Additionally, the City reports the following fund types:

Governmental Funds –

Special revenue funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital projects funds

Capital projects funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds).

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Measurement Focus

On the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities and Net Position or Equity

Cash, Interest-bearing Deposits, and investments

For the purpose of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit of the City. Interest-bearing deposits are stated at cost, which approximates market.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Under state law, the City may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The City may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principle offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Investments are stated at fair value as determined by quoted market prices. If quoted market prices are not available, fair value is estimated by determining the fair value of investments possessing similar yield, maturity, and repayment and risk characteristics. At June 30, 2017, there were no investments whose fair values were required to be estimated.

For the purpose of the proprietary fund statement of cash flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes and amounts due from others (including other governments) for goods or services provided for which payment has not yet been received. Business-type activities report customer’s utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectible customers’ utility receivables was \$124,418 at June 30, 2017. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end. The estimate for unbilled utility service receivables at June 30, 2017 was \$23,257.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated historical cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$1,000 or more for capitalizing assets.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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

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 assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Equipment	5-7 years
Utility system and improvements	25 years
Infrastructure	20-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. In the government-wide financial statements, capital assets are accounted for in the same manner as in proprietary fund operations where assets are capitalized and depreciation is provided over the assets' estimated useful lives.

Restricted Assets

Restricted assets include cash and interest-bearing deposits that are legally restricted as to their use. The City's restricted assets are related to its utility customer meter deposits.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of compensated absences payable, bonds and certificates payable, obligations under capital leases, and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

Vacation and sick leave are recorded as expenditures of the period in which paid. Vacation credits are earned by employees range from 5-22 days per year depending upon length of service. Vacation must be taken in the year earned and cannot be carried over. Sick leave does not accumulate and is not payable at termination of employment.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional, provisional or enabling legislation.
- c. Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund financial statements

Proprietary fund equity is classified the same as in the government-wide statements. Governmental fund equity is classified as fund balance. Fund balance for the City’s governmental funds is displayed depicting the relative strength of the spending constraints placed on the purposes for which resources can be used. In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council members.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City’s adopted policy, only the Mayor may assign amounts for specific purposes.
- e. Unassigned – all other spendable amounts.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the governmental funds' financial statements, expenditures are classified by character. In the proprietary fund financial statements, expenditures are classified as operating or non-operating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Capitalization of Interest Expense

It is the policy of the City to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets.

G. 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 positions of the Municipal Employees Retirement System (MERS) and Municipal Police Employees Retirement System (MPERS), and additions to/deductions from the retirement systems' net positions have been determined on the same basis as they are reported by the respective systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

H. Use of Estimates

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

(2) Cash, Interest-bearing deposits and investments

A. Cash and Interest-bearing Deposits

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 2017, the City has cash and interest-bearing deposits (book balances) totaling \$13,987,613, as follows:

Demand deposits	\$ 6,264,436
Money market accounts and time deposits	<u>7,723,177</u>
Total	<u>\$ 13,987,613</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2017, were secured as follows:

Bank balances	<u>\$ 14,126,431</u>
Federal deposit insurance	\$ 500,000
Pledged securities	<u>13,626,431</u>
Total federal deposit insurance and pledged securities	<u>\$ 14,126,431</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City's deposits may not be recovered or the City will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. At June 30, 2017, deposits in the amount of \$13,626,431 were exposed to custodial credit risk since the deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not in the City's name.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

B. Investments

The City’s policy does not further limit its investment choices beyond the restrictions imposed by state statute. State law allows the investment in direct United States Treasury obligations, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or U.S. Government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book entry only securities guaranteed by the U.S. Government; time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana; savings account or shares of certain savings and loan associations and savings banks; certain accounts of federally or state chartered credit unions; certain mutual or trust fund institutions; certain guaranteed investment contracts; and investment grade commercial paper of domestic United States corporations.

At June 30, 2017, the City had the following investments and maturities (in years):

<u>Description</u>	<u>Category</u>	<u>Interest Rate</u>	<u>Fair Value</u>	<u>Less Than 1</u>
Governmental Activities:				
United States Government- Securities Fund	N/A	Various	\$ 912,637	\$ 912,637
Business-Type Activities:				
United States Government- Securities Fund	N/A	Various	<u>325,049</u>	<u>325,049</u>
			<u>\$ 1,237,686</u>	<u>\$ 1,237,686</u>

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment. The City’s investment policy conforms to state law, as described above, which has no provision for custodial credit risk.

Concentration of credit risk relates to the amount of investments in any one entity. At June 30, 2017, the City had no investments in any entity which exceeded 5% of total investments.

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s investment policy conforms to state law, which does not include a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the City had no investments with future maturities in excess of one year.

Credit risk is defined as the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The City invested only in obligations of federal or state agencies which are not rated. The type of investment allowed by state law ensures that the City is not exposed to credit risk.

In accordance with GASB Statement No. 31, the City recognizes the net increase (decrease) in the fair value of its investments. For the year ended June 30, 2017, the fair value of the City’s investments increased \$147. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Fair Value Measurements

The City measures and records its investments using fair value guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 – quoted prices for identical investments in active markets
- Level 2 – observable inputs other than quoted market prices
- Level 3 – unobservable inputs

The City's investments are measured at fair value on a recurring basis. At June 30, 2017, the City's investments are valued using quoted market prices (Level 1 inputs).

(3) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Mary Parish. City property tax revenues are budgeted in the year billed.

For the year ended June 30, 2017, taxes of 22.20 mills were levied on property with assessed valuations totaling \$26,158,035 and were dedicated as follows:

General corporate purposes	8.20 mills
Debt service	14.00 mills

Total taxes levied were \$580,708. The amount of taxes receivable at June 30, 2017 was \$4,348.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(4) Interfund Transactions

A. Receivables and Payables

Interfund receivables and payables at June 30, 2017 consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
General Fund	\$ 663,687	\$ 425,323
Sewerage and Solid Waste Sales Tax Fund	114,295	23,000
Ad Valorem Tax Collection Fund	410,159	608,927
Water Plant Construction Fund	-	200
Other nonmajor governmental funds	862,429	442,126
Business-type Activities:		
Utility Fund	92,442	643,436
Total	<u>\$ 2,143,012</u>	<u>\$ 2,143,012</u>
Advances to/from other funds:		
General Fund	\$ 1,500,000	\$ -
Utility Fund	-	1,500,000
Total advances to/from other funds	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

Interfund receivables and payables arise as a result of transactions between funds when there is an expectation that the disbursing fund will be repaid or reimbursed by the recipient fund.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

B. Operating transfers

Transfers between funds for the year ended June 30, 2017 were:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:		
General Fund	\$ 1,399,925	\$ 67,675
Sewerage and Solid Waste Sales Tax Fund	-	1,468,677
Ad Valorem Tax Collection Fund	-	573,227
Other nonmajor governmental funds	607,722	89,226
Business-type Activities:		
Utility Fund	391,158	200,000
	<u>\$ 2,398,805</u>	<u>\$ 2,398,805</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(5) Receivables

Receivable balances at June 30, 2017, are as follows:

	<u>Governmental Activities</u>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>Sewerage and Solid Waste Sales Tax</u>	<u>Ad Valorem Tax Collection</u>	<u>Other Governmental Funds</u>	
Taxes	\$ 95,964	\$ 54,561	\$ 4,348	\$ -	\$ 154,873
Property assessments	-	-	-	6,628	6,628
Other					
Accrued interest	91	184	-	228	503
Franchise fees	52,703	-	-	-	52,703
Other	50,234	-	228	65,011	115,473
Total receivable	<u>\$198,992</u>	<u>\$ 54,745</u>	<u>\$ 4,576</u>	<u>\$ 71,867</u>	<u>\$ 330,180</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

	Business-Type Activities
	<u>Enterprise Fund</u>
Customer accounts	\$ 542,346
Less: allowance for uncollectibles	<u>(124,418)</u>
Net customer accounts receivable	417,928
Other receivables	<u>4,728</u>
Receivables, net	<u>\$ 422,656</u>

(6) Due from other Governmental Units

Amounts due from other governmental units at June 30, 2017 consisted of the following:

Governmental Activities -

Beer and tobacco taxes due from the State of Louisiana	\$ 1,523
Video poker receipts due from the State of Louisiana	6,308
Prisoner maintenance fees due from the State of Louisiana	12,390
Prisoner maintenance fees due from the St. Mary Parish Government	23,282
Second installment on sale of fire truck from the Town of Berwick	<u>65,000</u>
	<u>\$ 108,503</u>

(7) Restricted Assets

Restricted assets consisted of the following at June 30, 2017:

Customers' deposits	<u>\$ 433,227</u>
---------------------	-------------------

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(8) Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 430,826	\$ -	\$ -	\$ 430,826
Construction in progress	1,073,572	547,690	-	1,621,262
Other capital assets:				
Buildings	2,826,406	172,168	184,636	2,813,938
Improvements other than buildings	51,316	-	-	51,316
Equipment, furniture & fixtures	3,268,934	34,676	301,967	3,001,643
Infrastructure	4,689,541	-	-	4,689,541
Totals	<u>12,340,595</u>	<u>754,534</u>	<u>486,603</u>	<u>12,608,526</u>
Less accumulated depreciation				
Buildings	(1,270,200)	(74,905)	(43,852)	(1,301,253)
Equipment, furniture & fixtures	(2,664,012)	(176,220)	(265,057)	(2,575,175)
Infrastructure	(885,920)	(130,600)	-	(1,016,520)
Total accumulated depreciation	<u>(4,820,132)</u>	<u>(381,725)</u>	<u>(308,909)</u>	<u>(4,892,948)</u>
Governmental activities, capital assets, net	<u>\$ 7,520,463</u>	<u>\$ 372,809</u>	<u>\$177,694</u>	<u>\$ 7,715,578</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Capital assets activity for the business-type activities for the year ended June 30, 2017 was as follows:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 107,200	\$ -	\$ -	\$ 107,200
Construction in progress	57,025	-	-	57,025
Other capital assets:				
Gas distribution system	2,157,664	-	-	2,157,664
Water distribution system	2,875,672	-	-	2,875,672
Sewer treatment system	5,943,985	-	-	5,943,985
Machinery and equipment	284,769	-	-	284,769
Totals	<u>11,426,315</u>	<u>-</u>	<u>-</u>	<u>11,426,315</u>
Less accumulated depreciation				
Gas distribution system	(1,887,497)	(57,812)	-	(1,945,309)
Water distribution system	(2,750,941)	(35,419)	-	(2,786,360)
Sewer treatment system	(4,058,448)	(120,839)	-	(4,179,287)
Machinery and equipment	(237,776)	(12,236)	-	(250,012)
Total accumulated depreciation	<u>(8,934,662)</u>	<u>(226,306)</u>	<u>-</u>	<u>(9,160,968)</u>
Business-type activities, capital assets, net	<u>\$ 2,491,653</u>	<u>\$(226,306)</u>	<u>\$ -</u>	<u>\$ 2,265,347</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 71,534
Police	87,918
Fire	70,075
Streets and drainage	147,297
Culture and recreation	4,901
Total depreciation expense	<u>\$ 381,725</u>

Depreciation expense was charged to business-type activities as follows:

Administrative	\$ 12,236
Gas	57,812
Water	35,419
Sewer	120,839
Total depreciation expense	<u>\$ 226,306</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

The annual requirements to amortize all long-term debt outstanding as of June 30, 2017,

Year Ending June 30,	Public Improvement Sales Tax Bonds		General Obligation Bonds		Limited Tax Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 65,000	\$11,500	\$ 215,000	\$ 143,150	\$ 75,000	\$ 17,862	\$ 355,000	\$ 172,512
2019	65,000	7,762	225,000	135,625	75,000	16,380	365,000	159,767
2020	70,000	4,026	230,000	127,750	80,000	14,880	380,000	146,656
2021	-	-	240,000	119,700	80,000	13,260	320,000	132,960
2022	-	-	245,000	111,300	80,000	11,620	-	-
2023-2027	-	-	1,350,000	421,575	450,000	31,039	1,800,000	452,614
2028-2032	-	-	1,585,000	170,450	-	-	1,585,000	170,450
	<u>\$ 200,000</u>	<u>\$23,288</u>	<u>\$ 4,090,000</u>	<u>\$ 1,229,550</u>	<u>\$ 840,000</u>	<u>\$ 105,041</u>	<u>\$ 4,805,000</u>	<u>\$ 1,234,959</u>

Covenants/Restrictions:

The various bond indentures contain significant limitations and restrictions as to annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds. Resolutions concerning dedication of sales tax proceeds specify restrictions as to how the funds may be expended. The City is in compliance with all such significant limitations and restrictions at June 30, 2017.

Assets in assessment certificates funds are restricted for the retirement of any outstanding principal and interest remaining on the certificates obligations. Assets remaining in these funds after the retirement of the outstanding obligations may be used only for the repair and maintenance of the streets improved from the proceeds of the original certificate issue.

(10) Governmental Fund Balances

As of June 30, 2017, governmental fund balances are comprised of the following:

	General Fund	Sewerage and Solid Waste Sales Tax	Water Plant Construction Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Interfund receivables	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000
Restricted					
Debt retirement	-	-	-	770,022	770,022
Capital expenditures	-	-	3,492,621	1,048,297	4,540,918
Law enforcement	663,687	-	-	-	663,687
Sewerage and solid waste	-	5,342,173	-	-	5,342,173
Street repairs	-	-	-	598,057	598,057
Assigned					
Street repairs	146,122	-	-	-	146,122
Unassigned (deficit)	<u>1,737,925</u>	<u>-</u>	<u>-</u>	<u>(127,343)</u>	<u>1,610,582</u>
	<u>\$ 4,047,734</u>	<u>\$ 5,342,173</u>	<u>\$ 3,492,621</u>	<u>\$ 2,289,033</u>	<u>\$ 15,171,561</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

(11) Leases

The City has entered into financing agreements for the acquisitions of firefighting equipment as follows:

Firefighting Equipment

In 2012, the City entered into a financing agreement for the acquisition of an additional pumper. The acquisition cost of this pumper was \$228,406 and was financed with a \$50,000 down payment and five annual payments of principal and interest totaling \$38,612 per year.

In the fund financial statements, the acquisition costs were reported as capital outlay with corresponding capital lease proceeds reported as an “other financing source”. The government-wide financial statements report the acquisitions as a capital asset in the governmental activities with the corresponding obligations reported as a liability.

The annual requirements to satisfy the obligations under the capital lease obligations as of June 30, 2017, including interest of \$1,013 are as follows:

	Governmental Activities
	<u>Firefighting Equipment</u>
2018	\$ 38,612
Less: Amount representing interest	<u>1,013</u>
Present value of future minimum lease payments	<u>\$ 37,599</u>

(12) Dedication of Proceeds and Flow of Funds-Sales and Use Taxes

The City collects sales taxes under four sales tax levies as follows:

- A. Proceeds of a 1% parish wide sales and use tax levied in 1966 (2017 collections \$694,602; 2016 collections \$716,203; 2015, \$876,309). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to each participating municipality on a monthly basis. The City’s allocation is 4.7818% of the first \$1,500,000 of net taxes collected. Fifty percent of any collection in excess of \$1,500,000 is divided proportionately among the participating municipalities according to their respective populations as reflected by the most recent federal census or most recent special census. Proceeds of this tax shall be used for the following purposes: construction, acquisition, improvement, maintenance and repairs of streets, capital improvements, public works and buildings (including the acquisition of sites and necessary fixtures, equipment, furnishings and appurtenances, and the payment of obligations and refunding obligations which have been or may be issued for the purpose of acquiring and

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

improving public works and buildings); for payment or supplementing salaries of all municipal employees; for the operation of recreational facilities; for the acquisition, maintenance, repairs and payment of operating expenses of equipment, vehicles, and other machinery owned by the municipality; and for any other public purpose authorized by state law.

- B. Proceeds of a $\frac{3}{4}$ % sales and use tax originally levied in 1974 (2017 collections \$699,745; 2016 collections \$719,612; 2015, \$867,119). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly among the participating municipalities according to their respective populations as reflected by the most recent federal census or the most recent special census. Proceeds are to be used for the construction, acquisition, extension, improvement, operation and maintenance of solid waste collection and disposal facilities, sewers and sewerage disposal works, and other facilities for pollution control and abatement; and to pay debt service requirements on bonds issued for any of the above-mentioned purposes. The tax was reapproved for levy in 1987. At the time of reauthorization, voters approved a provision authorizing that the proceeds could also be used for law enforcement and fire protection costs.
- C. Proceeds of a $\frac{3}{10}$ % sales and use tax levied in 1982 (2017 collections \$226,242; 2016 collections \$247,399; 2015, \$308,018). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is allocated and distributed monthly among the participating municipalities according to their respective populations as reflected by the most recent federal census or the most recent special census. Proceeds are dedicated to the following purposes: operating and maintaining the police department, including the acquisition and maintenance of equipment and supplies; paying or supplementing the salaries of municipal employees; and purchasing, constructing, acquiring, extending and/or improving all or any portion of public works or capital improvements, including but not limited to the construction, improvement and maintenance of drainage, water, and flood control extensions and improvements and the acquisition, construction, improvement, maintenance and repair of streets, roads, and bridges.
- D. Proceeds of a $\frac{1}{2}$ % parish wide sales and use tax levied in 2000 (2017 collections \$233,199; 2016 collections \$239,809; 2015, \$288,966). Tax is collected by the St. Mary Parish Sales and Use Tax Department and is remitted to the St. Mary Parish Sheriff, the Parish of St. Mary and each participating municipality on a monthly basis. Proceeds of this tax may be used by the municipalities for any lawful law enforcement purpose.

(13) Employee Retirement

Eligible employees of the City participate in one of two multiple-employer public employee retirement systems (PERS), which are controlled and administered by two separate boards of trustees. These retirement systems provide retirement, disability and death benefits to plan members and their beneficiaries. Benefits under each system are established and amended by state statutes. Pertinent information for each system follows:

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

A. Municipal Employees' Retirement System (MERS)

Plan Description: MERS was established by Act 356 of the 1954 regular session of the Louisiana Legislature. MERS 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. The City participates in Plan B of MERS.

Eligibility Requirements: Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week.

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

1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Any age with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.

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

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

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

Survivor Benefits: Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.

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

Deferred Retirement Option Plan (DROP) Benefits: In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

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

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

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

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

Employer Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ended June 30, 2017, the actual employer contribution rate for Plan B was 9.50%.

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

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At June 30, 2017, The City reported liabilities in its government-wide financial statements of \$633,160 and \$606,310 in its governmental activities and its business-type activities, respectively for its proportionate share of the net pension liabilities of MERS. The net pension liabilities were measured as of June 30, 2016 and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportional share of MERS was 1.49529%, which was a decrease of 0.022933% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the City recognized pension expense of \$50,355 and \$52,411 in its governmental activities and its business-type activities, respectively, related to its participation in MERS.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,221	\$ 9,198	\$ 4,945	\$ 8,711
Changes of assumptions	31,721	-	30,042	-
Net difference between projected and actual earnings on pension plan investments	156,039	-	147,775	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,564	21,933	8,183	20,772
Employer contributions subsequent to the measurement date	<u>59,993</u>	<u>-</u>	<u>56,815</u>	<u>-</u>
	<u>\$ 262,538</u>	<u>\$ 31,131</u>	<u>\$ 247,760</u>	<u>\$ 29,483</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

The \$116,808 reported as deferred outflows of resources related to pensions resulting from City contributions to MERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2017	\$ 51,842	\$ 49,096	\$ 100,938
2018	44,929	42,549	87,478
2019	49,936	47,292	97,228
2020	24,707	22,525	47,232
	<u>\$ 171,414</u>	<u>\$ 161,462</u>	<u>\$ 332,876</u>

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:

	<u>Municipal Employees' Retirement System (MERS)</u>
Valuation Date	June 30, 2016
Actuarial cost method	Entry Age Normal Cost
Actuarial cost assumptions:	
Expected remaining service lives	4 years
Investment rate of return	7.5%, net of investment expense
Projected salary increases	5.00% (2.875% Inflation, 2.125% Merit)
Mortality	RP-2000 Employee Table for active members (set back 2 years for males and females) RP-2000 Healthy Annuitant Table for healthy annuitants (set forward 2 years for males and 1 year for females) RP-2000 Disables Lives Mortality Tables for disabled annuitants (set back 5 years for males and 3 years for females)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return was 7.7% for the year ended June 30, 2016.

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

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

Discount Rate: The discount rate used to measure the total pension liability was 7.5% for MERS. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the applicable current contribution rates and that contributions from participating employers will be made at the respective actuarially determined rates approved by PRSAC taking into consideration the recommendation of the respective system's actuary. Based on those assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate: The following presents the employers' proportionate share of the net pension liability using the applicable discount rate as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

	Changes in Discount Rate:		
	MERS - Plan B		
	1%	Current	1%
	Decrease	Discount	Increase
	6.50%	7.50%	8.50%
Net Pension Liability	<u>\$ 1,603,401</u>	<u>\$ 1,239,459</u>	<u>\$ 928,942</u>

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The City recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2017, the City recognized revenue as a result of support received from non-employer contributing entities of \$36,815 for its participation in MERS.

Pension Plan Fiduciary Net Positions: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for MERS available at www.mersla.com.

B. Municipal Police Employees' Retirement System (MPERS)

Plan Description: MPERS was established by Act 189 of the 1973 regular session of the Louisiana Legislature. MPERS provides retirement, disability and survivor benefits to municipal police officers in Louisiana.

Eligibility Requirements: Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria.

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

1. Any age with twenty-five (25) years of creditable service.
2. Age 55 with a minimum of twelve (12) or more years of creditable service.
3. Age 50 with a minimum of twenty (20) or more years of creditable service.

A member is eligible for early retirement after he or she has been a member of the system for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are three and one-third (3.33) percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under conditions outlined in state statute, benefits range from forty to sixty of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

For members hired on or after January 1, 2013 eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan eligibility, for regular retirement is as follows:

1. Age 55 with twelve (12) or more years of creditable service.
2. Any age with twenty-five (25) or more years of creditable service.

Under the Non Hazardous Duty sub plan, eligibility for regular retirement is as follows:

1. Age 60 with ten (10) or more years of creditable service.
2. Age 55 with twenty-five (25) or more years of creditable service.
3. Any age with thirty (30) or more years of creditable service.

Under both sub plans, a member is eligible for early retirement after having been a member of the system for twenty (20) years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous Duty and Non Hazardous Duty sub plans, benefit rates are three (3.0) percent and two and one-half (2.5) percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under conditions outlined in state statute, benefits range from twenty-five to fifty-five of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater. If deceased member had less than 10 years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments (COLA): MPERS is authorized under state law to provide annual cost of living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. State law allows the system to grant an additional 2% cost of living increase to all regular retirees, disability, survivors and beneficiaries who are age 65 or older on the cutoff date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost of living adjustment until benefits have been received at least one full fiscal year and payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Deferred Retirement Option Plan (DROP): A member is eligible to enter DROP when he is eligible for regular retirement based on the member's sub plan participation. Upon filing the application for the program, the employee's active membership in the system is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited in to the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is 36 months or less. If employment is terminated after the three year period, the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership in the system shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of 0.5% below the percentage rate of return of the system's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the system's investment portfolio return or a money market investment return. This could result in negative earnings rate being applied to the account. If the member elects the money market investment return option, the funds are transferred to a government money market account.

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

Employer Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year but cannot be less than 9% of the employee's earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2017, total contributions due for employers and employees were 39.5%. The employer and employee contribution rates for members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 29.5% and 10%, respectively. The employer and employee contribution rates for all Non Hazardous Duty members hired after January 1, 2013 were 33.5% and 8%, respectively. The employer and employee contribution rates for members whose earnable compensation is less than or equal to the poverty guidelines issued by the U.S. Department of Health and Human Services were 34% and 7.5%, respectively.

Non-Employer Contributions: MPERS receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the Legislature each year based on an actuarial report. Non-employer contributions are recognized as revenue when received and excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: At June 30, 2017, The City reported liabilities in its government-wide financial statements of \$941,762 in its governmental activities for its proportionate share of the net pension liabilities of MPERS. The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension obligation was determined by separate actuarial valuations performed on each of the retirement systems as of that date. Under each retirement system, the City's proportion of the net pension liability was based on a projection of the

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the City's proportional share of MPERS was 0.100478%, which was a decrease of 0.007722% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized a pension benefit of \$144,558 in its governmental activities related to its participation in MPERS.

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

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 14,981
Changes of assumptions	45,789	57
Net difference between projected and actual earnings on pension plan investments	144,912	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,963	187,934
Employer contributions subsequent to the measurement date	<u>113,077</u>	<u>-</u>
	<u>\$ 312,741</u>	<u>\$ 202,972</u>

The \$113,077 reported 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	
2017	\$ (114,829)
2018	33,693
2019	43,234
2020	<u>34,594</u>
	<u>\$ (3,308)</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (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:

	<u>Municipal Police Employees' Retirement System (MPERS)</u>	
Valuation Date	June 30, 2016	
Actuarial cost method	Entry Age Normal Cost	
Actuarial cost assumptions:		
Expected remaining service lives	4 years	
Investment rate of return	7.5%, net of investment expense	
Inflation rate	2.875%	
Projected salary increases	Yrs of Service	Salary Growth
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Mortality	RP-2000 Employee Table for active members set back 4 years for males and 3 years for females RP-2000 Healthy Annuitant Table for healthy annuitants set back 1 year for females RP-2000 Disabled Lives Mortality Tables for disabled annuitants set back 4 years for males and 3 years for females	

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was 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 set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

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

Asset Class	June 30, 2016	
	Target Allocation	Long Term Expected Portfolio Real Rate of Return
Equity	53%	3.69%
Fixed Income	21%	0.49%
Alternative	20%	1.11%
Other	6%	0.21%
Totals	<u>100%</u>	<u>5.50%</u>
Inflation		<u>2.75%</u>

The discount rate used to measure the total pension liability was 7.5% for MPERS. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the applicable current contribution rates and that contributions from participating employers will be made at the respective actuarially determined rates approved by PRSAC taking into consideration the recommendation of the respective system's actuary. Based on those assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate: The following presents the employers' proportionate share of the net pension liability using the applicable discount rate as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Changes in Discount Rate:		
	MPERS		
	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability	<u>\$1,255,450</u>	<u>\$941,762</u>	<u>\$678,393</u>

Support of Non-Employer Contributing Entities: Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The City recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended June 30, 2017, the City recognized revenue as a result of support received from non-employer contributing entities of \$18,694 for its participation in MPERS.

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Pension Plan Fiduciary Net Positions: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for MPERS available at www.lampers.org.

(14) Social Security System

All employees of the City participate in the Social Security System. The City and its employees contribute a percentage of each employee's salary to the System (7.65% contributed by the City and 7.65% by the employee). The City's contribution during the year ended June 30, 2017 was \$182,918.

(15) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The City is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended June 30, 2017. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

(16) Compensation of City Officials

A detail of compensation paid to the City Council for the year ended June 30, 2017 follows:

Mayor:

Rodney Grogan	\$ <u>42,000</u>
---------------	------------------

Council:

Travis Darnell	\$ 6,000
Larry Mendoza	6,000
John Rentrop	6,000
Joseph C. Russo, III	6,000
Sandra Turner	<u>6,000</u>
	\$ <u>72,000</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

Act 706 of the 2014 Legislative Session amended R.S. 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. Payments to and on behalf of the City's chief officer, Mayor Rodney Grogan, for the year ended June 30, 2017 are as follows:

Salary	\$ 42,000
Benefits - insurance	5,880
Benefits - retirement	4,620
Mileage reimbursement	8,409
Conference travel/lodging/meals	<u>1,793</u>
	<u>\$ 62,702</u>

(17) Joint Venture

The City is a participant in a joint venture with the Parish of St. Mary, St. Mary Parish Sewerage District No. 8, and the Town of Berwick for operating and maintaining a sewerage disposal system. The system is operated by a five-member board of commissioners, appointed one each by the City, St. Mary Parish Sewerage District No. 8, and the Town of Berwick, and two appointed by the St. Mary Parish Council (one each from Ward 5 and Ward 8 of St. Mary Parish).

The costs of constructing the system, which amounted to approximately \$10,300,000, were paid by the participants in the following percentages:

City of Patterson	27.75%
Town of Berwick	27.05%
St. Mary Parish	<u>45.20%</u>
	<u>100.00%</u>

The board operates and maintains the system as the "St. Mary Parish Wards 5 and 8 Joint Sewerage Commission". Operating expenses are paid from revenues generated by charging the participants a monthly fee based on a percentage of water consumption by residents of participating units. The City finances its share of the fees paid from the Utility Fund and has not included its 27.75% share of the system in these financial statements.

Following is a summary of the financial statements issued by the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission as of September 30, 2016 which includes only the assets and liabilities required in operating and maintaining the system, and does not include the original \$10,300,000 construction cost paid by the participants.

The balance sheet reflected the following:

Total assets and deferred outflows of resources	\$ 1,702,822
Total liabilities and deferred inflows of resources	<u>191,982</u>
Total net position	<u>\$ 1,510,840</u>

CITY OF PATTERSON, LOUISIANA

Notes to Financial Statements (continued)

The statement of revenues and expenses for the fiscal year ended September 30, 2016 reflected the following:

Operating revenues	\$ 1,050,776
Nonoperating revenues	5,206
Operating expenses	<u>(927,347)</u>
Change in net position	<u>\$ 128,635</u>

Additional information may be obtained from the separately issued financial statements of the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission for the year ended September 30, 2016.

(18) Deficit Fund Balances

The following nonmajor funds reported deficit unassigned fund balances at June 30, 2017:

Debt Service Fund	
Public Improvement Sales Tax Bonds	\$ 96,785
Capital Projects Fund	
2002 Paving Project Construction Fund	30,558

The deficits resulted from the expenditure of funds obligated to repay interfund loans.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2017

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,566,500	\$ 1,355,676	\$ 1,437,936	\$ 82,260
Licenses and permits	206,200	158,219	187,252	29,033
Intergovernmental	318,306	304,546	313,064	8,518
Charges for services	563,722	563,216	596,532	33,316
Fines and forfeits	310,000	209,241	204,427	(4,814)
Miscellaneous	42,605	100,478	100,287	(191)
Total revenues	<u>3,007,333</u>	<u>2,691,376</u>	<u>2,839,498</u>	<u>148,122</u>
Expenditures:				
Current -				
General government:				
Administrative	792,558	825,759	781,902	43,857
Mechanic shop	94,292	105,022	104,348	674
Public safety:				
Police	1,777,530	1,933,281	1,978,321	(45,040)
Fire	43,129	41,493	35,222	6,271
Streets and drainage	526,641	606,646	720,131	(113,485)
Culture and recreation	77,050	75,106	76,772	(1,666)
Sanitation	450,981	468,431	477,247	(8,816)
Capital outlay	42,000	244,756	325,708	(80,952)
Debt service	38,612	38,612	38,612	-
Total expenditures	<u>3,842,793</u>	<u>4,339,106</u>	<u>4,538,263</u>	<u>(199,157)</u>
Deficiency of revenues over expenditures	<u>(835,460)</u>	<u>(1,647,730)</u>	<u>(1,698,765)</u>	<u>(51,035)</u>
Other financing sources (uses):				
Operating transfers out	(73,625)	(73,625)	(67,675)	5,950
Operating transfers in	<u>983,319</u>	<u>1,153,437</u>	<u>1,399,925</u>	<u>246,488</u>
Total other financing sources (uses)	<u>909,694</u>	<u>1,079,812</u>	<u>1,332,250</u>	<u>252,438</u>
Net change in fund balance	74,234	(567,918)	(366,515)	201,403
Fund balance, beginning	<u>4,414,249</u>	<u>4,414,249</u>	<u>4,414,249</u>	<u>-</u>
Fund balance, ending	<u>\$ 4,488,483</u>	<u>\$ 3,846,331</u>	<u>\$ 4,047,734</u>	<u>\$ 201,403</u>

See accompanying notes to budgetary comparison schedules.

CITY OF PATTERSON, LOUISIANA
Sewerage and Solid Waste Sales Tax Fund

Budgetary Comparison Schedule
Year Ended June 30, 2017

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 710,000	\$ 674,264	\$ 699,845	\$ 25,581
Interest on deposits	4,800	4,506	4,666	160
Total revenues	714,800	678,770	704,511	25,741
Other financing sources (uses):				
Operating transfers out	(1,023,000)	(1,457,669)	(1,468,677)	(11,008)
Net change in fund balance	(308,200)	(778,899)	(764,166)	14,733
Fund balance, beginning	6,106,339	6,106,339	6,106,339	-
Fund balance, ending	<u>\$ 5,798,139</u>	<u>\$ 5,327,440</u>	<u>\$ 5,342,173</u>	<u>\$ 14,733</u>

See accompanying notes to budgetary comparison schedule.

CITY OF PATTERSON, LOUISIANA
Ad Valorem Tax Collection Fund

Budgetary Comparison Schedule
Year Ended June 30, 2017

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues:				
Taxes	\$ 572,730	\$ 572,764	\$ 580,647	\$ 7,883
Interest on deposits	-	6	5	(1)
Miscellaneous	-	791	25,773	24,982
Total revenues	<u>572,730</u>	<u>573,561</u>	606,425	32,864
Expenditures:				
Current -				
General government	-	17,042	33,198	(16,156)
Excess of revenues over expenditures	572,730	556,519	573,227	16,708
Other financing sources (uses):				
Operating transfers out	<u>(572,449)</u>	<u>(572,045)</u>	<u>(573,227)</u>	<u>(1,182)</u>
Net change in fund balance	281	(15,526)	-	15,526
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ 281</u>	<u>\$ (15,526)</u>	<u>\$ -</u>	<u>\$ 15,526</u>

See accompanying notes to budgetary comparison schedules.

CITY OF PATTERSON, LOUISIANA

Notes to Budgetary Comparison Schedules

(1) Basis of Accounting

The budgets for the General Fund, Sewerage and Solid Waste Sales Tax Fund, and the Ad Valorem Tax Collection Fund are adopted on the modified accrual basis of accounting consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the City Council.

(2) Budget Adoption

The City follows these procedures in establishing the budgetary data reflected in the supplementary information:

1. The City Clerk prepares a proposed budget and submits it to the Mayor and Council for the fiscal year no later than 45 days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least 10 days after publication of the call for the hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfers of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council.
6. All budgetary appropriations lapse at the end of each year, except for capital expenditures.

(3) Actual Expenditures in Excess of Budgeted Appropriations

Actual expenditures and transfers exceeded budgeted appropriations in the General Fund, Sewerage and Solid Waste Sales Tax Fund, and Ad Valorem Tax Collection Fund by \$193,207, \$1,318, and \$17,338, respectively.

CITY OF PATTERSON, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Year Ended June 30, 2017

Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Municipal Employees' Retirement System					
2014	1.646384%	772,971	1,206,100	64.1%	76.94%
2015	1.518223%	1,031,856	1,050,232	98.3%	68.71%
2016	1.495290%	1,239,459	1,098,595	112.8%	62.11%
Municipal Police Employees' Retirement System					
2014	0.105901%	662,535	297,210	222.9%	75.10%
2015	0.108207%	847,689	289,873	292.4%	70.73%
2016	0.100478%	941,762	281,321	334.8%	66.04%

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

CITY OF PATTERSON, LOUISIANA

Schedule of Employer Contributions
Year Ended June 30, 2017

<u>Year ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
Municipal Employees' Retirement System					
2015	\$ 99,772	\$ 99,772	-	\$1,050,232	9.50%
2016	\$ 104,161	\$ 104,161	-	\$1,098,595	9.48%
2017	\$ 117,767	\$ 117,767	-	\$1,070,609	11.00%
Municipal Police Employees' Retirement System					
2015	\$ 91,310	\$ 91,310	-	\$ 289,873	31.50%
2016	\$ 83,307	\$ 83,307	-	\$ 281,321	29.61%
2017	\$ 110,878	\$ 110,878	-	\$ 351,997	31.50%

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

CITY OF PATTERSON, LOUISIANA

Note to Retirement System Schedules

(1) Retirement Systems

A. Municipal Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms for the year ended June 30, 2017.

Changes of assumptions – For the actuarial valuation for the year ended June 30, 2016, the discount rate was reduced from 7.75% to 7.50% and the project salary increases rate was reduced from 5.75% to 5.00%.

B. Municipal Police Employees' Retirement System

Changes of benefit terms – There were no changes of benefit terms for the year ended June 30, 2017.

Changes of assumptions – For the actuarial valuation for the year ended June 30, 2016, the inflation rate was reduced from 3.00% to 2.875%.

OTHER SUPPLEMENTARY INFORMATION

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Revenues
Year Ended June 30, 2017

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Taxes -				
Sales	\$1,248,000	\$ 1,051,995	\$ 1,154,043	\$ 102,048
Utility franchise	297,000	279,879	260,091	(19,788)
Housing authority payment in lieu of taxes	21,500	23,802	23,802	-
	<u>1,566,500</u>	<u>1,355,676</u>	<u>1,437,936</u>	<u>82,260</u>
Licenses and permits -				
Occupational licenses	175,000	154,887	180,494	25,607
Culvert permits	1,200	650	500	(150)
Building permits	30,000	2,682	6,258	3,576
	<u>206,200</u>	<u>158,219</u>	<u>187,252</u>	<u>29,033</u>
Intergovernmental -				
State of Louisiana -				
Beer taxes	7,036	6,399	5,907	(492)
Video poker	65,000	64,365	68,138	3,773
Prisoner maintenance	85,000	76,292	67,619	(8,673)
Other state grants	7,270	7,270	3,025	(4,245)
St. Mary Parish Government -				
Riverboat gaming allocation	34,000	34,000	34,000	-
Prisoner maintenance	120,000	99,720	107,856	8,136
St. Mary Parish School Board -				
In-school suspension	-	16,500	26,519	10,019
	<u>318,306</u>	<u>304,546</u>	<u>313,064</u>	<u>8,518</u>
Charges for services:				
Garbage fees	465,000	464,494	433,794	(30,700)
Mosquito abatement	-	-	58,390	58,390
Mechanic shop fees	96,292	96,292	104,348	8,056
Summer recreation fees	2,430	2,430	-	(2,430)
	<u>563,722</u>	<u>563,216</u>	<u>596,532</u>	<u>33,316</u>
Fines and forfeits	<u>310,000</u>	<u>209,241</u>	<u>204,427</u>	<u>(4,814)</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Revenues (continued)
Year Ended June 30, 2016

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Miscellaneous:				
Interest	2,353	2,166	2,647	481
Oil and gas royalties	252	233	237	4
Other sources	<u>40,000</u>	<u>98,079</u>	<u>97,403</u>	<u>(676)</u>
	<u>42,605</u>	<u>100,478</u>	<u>100,287</u>	<u>(191)</u>
 Total revenues	 <u>\$3,007,333</u>	 <u>\$ 2,691,376</u>	 <u>\$ 2,839,498</u>	 <u>\$ 148,122</u>

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures
Year Ended June 30, 2017

	Budget		Actual	Variance With
	Original	Final		Final Budget
				Favorable (Unfavorable)
General government:				
Administrative -				
Salaries	\$ 239,000	\$ 231,233	\$ 220,330	\$ 10,903
Payroll taxes	18,759	16,251	16,487	(236)
Retirement contributions	26,000	23,892	23,646	246
Group insurance	29,000	34,214	28,216	5,998
Magistrate fees	6,000	6,000	6,000	-
Travel and employee expense	12,000	9,887	12,877	(2,990)
Telephone & utilities	11,075	12,960	12,039	921
Office supplies	3,000	1,197	1,052	145
Operating supplies	7,000	9,529	10,368	(839)
Repairs & maintenance	10,084	42,543	30,815	11,728
Training and seminars	5,500	2,530	2,840	(310)
Professional fees	46,260	73,015	61,257	11,758
Office equipment rentals	2,400	2,735	2,960	(225)
Dues and subscriptions	2,000	1,705	1,855	(150)
Donations and grants	8,000	13,735	8,735	5,000
Advertising and publishing	10,000	16,831	18,890	(2,059)
General insurance	340,000	312,000	307,292	4,708
Miscellaneous	16,480	15,502	16,243	(741)
Total administrative	<u>792,558</u>	<u>825,759</u>	<u>781,902</u>	<u>43,857</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures (continued)
Year Ended June 30, 2017

	Budget		Actual	Variance With
	Original	Final		Final Budget Favorable (Unfavorable)
Mechanic shop -				
Salaries	\$ 54,000	\$ 60,350	\$ 61,921	\$ (1,571)
Payroll taxes	4,300	4,542	4,693	(151)
Retirement contribution	5,300	6,404	6,350	54
Group insurance	17,000	17,782	14,845	2,937
Operating supplies	4,500	9,012	8,613	399
Repairs and maintenance	2,200	3,161	4,037	(876)
Miscellaneous	6,992	3,771	3,889	(118)
Total mechanic shop	<u>94,292</u>	<u>105,022</u>	<u>104,348</u>	<u>674</u>
Total general government	<u>886,850</u>	<u>930,781</u>	<u>886,250</u>	<u>44,531</u>
Public safety:				
Police -				
Salaries	1,002,000	1,046,460	1,084,480	(38,020)
Payroll taxes	82,000	77,522	86,779	(9,257)
Retirement contributions	87,000	99,935	111,923	(11,988)
Group insurance	320,000	339,336	276,754	62,582
Uniform allowances	3,400	4,055	3,325	730
Prisoner expense	80,000	89,869	82,080	7,789
Telephone & utilities	40,650	55,839	52,217	3,622
Office supplies	10,000	45,922	51,196	(5,274)
Operating supplies	21,000	30,906	43,977	(13,071)
Repairs & maintenance	14,000	17,496	16,655	841
Equipment rentals	5,000	7,558	7,920	(362)
Vehicle expense	73,000	69,291	103,096	(33,805)
Training seminars	6,300	3,246	3,346	(100)
Travel and employee expense	9,500	4,412	4,440	(28)
Miscellaneous	23,680	41,434	50,133	(8,699)
Total police	<u>1,777,530</u>	<u>1,933,281</u>	<u>1,978,321</u>	<u>(45,040)</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures (continued)
Year Ended June 30, 2017

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Fire:				
Salaries	\$ 900	\$ 1,380	\$ 1,500	\$ (120)
Payroll taxes	72	106	117	(11)
Telephone & utilities	5,936	5,938	6,060	(122)
Operating supplies	12,000	11,419	10,461	958
Repairs & maintenance	7,500	12,534	9,064	3,470
Vehicle expenses	4,700	4,394	3,560	834
Miscellaneous	12,021	5,722	4,460	1,262
Total fire	<u>43,129</u>	<u>41,493</u>	<u>35,222</u>	<u>6,271</u>
Total public safety	<u>1,820,659</u>	<u>1,974,774</u>	<u>2,013,543</u>	<u>(38,769)</u>
Streets and drainage:				
Salaries	259,250	289,948	287,238	2,710
Payroll taxes	18,300	22,008	21,045	963
Retirement contributions	20,000	24,252	24,172	80
Group insurance	68,000	76,165	47,586	28,579
Uniform allowance	3,900	3,332	3,075	257
Utilities	54,000	51,110	52,858	(1,748)
Chemicals and agents	1,500	1,360	861	499
Operating supplies	8,000	12,384	11,974	410
Repairs & maintenance	50,300	72,586	119,893	(47,307)
Vehicle expenses	31,000	29,965	80,306	(50,341)
Mosquito abatement	-	-	59,296	(59,296)
Miscellaneous	12,391	23,536	11,827	11,709
Total streets and drainage	<u>526,641</u>	<u>606,646</u>	<u>720,131</u>	<u>(113,485)</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures (continued)
Year Ended June 30, 2017

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Culture and recreation:				
Salaries	\$ 32,400	\$ 33,089	\$ 33,089	\$ -
Payroll taxes	2,800	2,492	2,560	(68)
Telephone & utilities	11,260	7,621	7,159	462
Operating supplies	1,900	711	1,652	(941)
Referee and umpire fees	3,250	3,250	3,250	-
Rental fees	2,040	2,040	2,210	(170)
Miscellaneous	23,400	25,903	26,852	(949)
Total culture and recreation	<u>77,050</u>	<u>75,106</u>	<u>76,772</u>	<u>(1,666)</u>
Sanitation:				
Salaries	29,305	29,466	29,955	(489)
Payroll taxes	2,265	2,316	2,278	38
Retirement contributions	2,800	3,294	3,186	108
Equipment repairs & maintenance	-	84	84	-
Vehicle maintenance	-	3,443	3,393	50
Garbage services rendered	416,000	429,587	437,329	(7,742)
Miscellaneous	611	241	1,022	(781)
Total sanitation	<u>450,981</u>	<u>468,431</u>	<u>477,247</u>	<u>(8,816)</u>

(continued)

CITY OF PATTERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule-Expenditures (continued)
Year Ended June 30, 2017

	Budget		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Capital outlay:				
Police equipment and improvements	\$ 30,000	\$ 56,476	\$ 34,676	\$ 21,800
Mechanic shop equipment	-	188,280	291,032	(102,752)
Street department equipment	12,000	-	-	-
Total capital outlay	<u>42,000</u>	<u>244,756</u>	<u>325,708</u>	<u>(80,952)</u>
Debt service:				
Principal paid	36,616	36,616	36,616	-
Interest and fiscal charges	<u>1,996</u>	<u>1,996</u>	<u>1,996</u>	-
Total debt service	<u>38,612</u>	<u>38,612</u>	<u>38,612</u>	-
Total expenditures	<u>\$ 3,842,793</u>	<u>\$ 4,339,106</u>	<u>\$ 4,538,263</u>	<u>\$ (199,157)</u>

CITY OF PATTERSON, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
Year Ended June 30, 2017

	Special Revenue Fund		
	Fire Department Equipment	2002 Paving Assessments	Sales Tax Refunding Bonds
ASSETS			
Cash	\$ -	\$ 152,840	\$ -
Interest-bearing deposits	360,246	-	408,205
Receivables			
Assessments	-	6,628	-
Other	133	-	90
Due from other governments	65,000	-	-
Due from other funds	-	1,256	26,554
Total assets	\$ 425,379	\$ 160,724	\$ 434,849
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ 1,868	\$ 4,426
Deferred inflows of resources			
Deferred Revenues	65,000	6,628	-
Fund balances -			
Restricted	360,379	152,228	430,423
Unassigned (deficit)	-	-	-
Total fund balances	360,379	152,228	430,423
Total liabilities, deferred inflows of resources, and fund balances	\$ 425,379	\$ 160,724	\$ 434,849

Debt Service Funds

1973 Paving Assessments	Various Paving Assessments	2015 Limited Tax Bonds	Public Improvement Sales Tax Bonds	Public Improvement Bonds	1990 Paving Assessments
\$ 4,277	\$ 26,063	\$ -	\$ -	\$ -	\$ 31,192
-	134,274	-	101,147	28,439	85,877
-	-	-	-	-	-
-	13	-	-	-	-
-	-	-	-	-	-
-	-	45	-	796,235	15,555
<u>\$ 4,277</u>	<u>\$ 160,350</u>	<u>\$ 45</u>	<u>\$ 101,147</u>	<u>\$ 824,674</u>	<u>\$ 132,624</u>
\$ -	\$ -	\$ -	\$ 197,932	\$ 54,697	\$ 123,590
-	-	-	-	-	-
4,277	160,350	45	-	769,977	9,034
-	-	-	(96,785)	-	-
<u>4,277</u>	<u>160,350</u>	<u>45</u>	<u>(96,785)</u>	<u>769,977</u>	<u>9,034</u>
<u>\$ 4,277</u>	<u>\$ 160,350</u>	<u>\$ 45</u>	<u>\$ 101,147</u>	<u>\$ 824,674</u>	<u>\$ 132,624</u>

(continued)

CITY OF PATTERSON, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet (continued)
Year Ended June 30, 2017

	Catherine Street Paving Construction	Drainage and Relocation Project	Regional Sewerage Facility Project
ASSETS			
Cash	\$ 25,290	\$ 1,473	\$ -
Interest-bearing deposits	-	118,138	116,311
Receivables			
Assessments	-	-	-
Other	-	-	3
Due from other governments	-	-	-
Due from other funds	-	21,443	573
Total assets	\$ 25,290	\$ 141,054	\$ 116,887
LIABILITIES, DEFERRED INFLOWS, OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 25,290	\$ 1,701	\$ -
Deferred inflows of resources			
Deferred revenues	-	-	-
Fund balances -			
Restricted	-	139,353	116,887
Unassigned (deficit)	-	-	-
Total fund balances	-	139,353	116,887
Total liabilities, deferred inflows of resources, and fund balances			
	\$ 25,290	\$ 141,054	\$ 116,887

Capital Projects Fund

Third Street Paving Project	Murphy Street Paving Project	City Hall/ Jail Complex Project	Limited Tax Bonds Construction	2002 Paving Project	Total Governmental Funds
\$ -	\$ -	\$ 100	\$212,671	\$ 1,627	\$ 455,533
23,867	36,067	387	-	-	1,412,958
-	-	-	-	-	6,628
-	-	-	-	-	239
-	-	-	-	-	65,000
-	-	768	-	-	862,429
<u>\$ 23,867</u>	<u>\$ 36,067</u>	<u>\$ 1,255</u>	<u>\$212,671</u>	<u>\$ 1,627</u>	<u>\$ 2,802,787</u>
<u>\$ -</u>	<u>\$ 392</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 32,185</u>	<u>\$ 442,126</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,628</u>
23,867	35,675	1,255	212,626	-	2,416,376
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,558)</u>	<u>(127,343)</u>
<u>23,867</u>	<u>35,675</u>	<u>1,255</u>	<u>212,626</u>	<u>(30,558)</u>	<u>2,289,033</u>
<u>\$ 23,867</u>	<u>\$ 36,067</u>	<u>\$ 1,255</u>	<u>\$212,671</u>	<u>\$ 1,627</u>	<u>\$ 2,802,787</u>

CITY OF PATTERSON, LOUISIANA
Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2017

	Special Revenue Fund		
	Fire Department Equipment	2002 Paving Assessments	Sales Tax Refunding Bonds
Revenues:			
Intergovernmental	\$ 26,560	\$ -	\$ -
Miscellaneous	<u>-</u>	<u>629</u>	<u>829</u>
Total revenues	<u>26,560</u>	<u>629</u>	<u>829</u>
Expenditures:			
Current -			
Public safety:			
Fire	6,006	-	-
Debt service -			
Principal retirement	-	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>6,006</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	20,554	629	829
Other financing sources (uses):			
Transfers in	-	-	-
Proceeds from sale of asset	65,000	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>65,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	85,554	629	829
Fund balances, beginning	<u>274,825</u>	<u>151,599</u>	<u>429,594</u>
Fund balances, ending	<u>\$ 360,379</u>	<u>\$ 152,228</u>	<u>\$ 430,423</u>

Debt Service Funds

1973 Paving Assessments	Various Paving Assessments	2015 Limited Tax Bonds	Public Improvement Sales Tax Bonds	Public Improvement Bonds	1990 Paving Assessments
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	40	-	101	29	86
-	40	-	101	29	86
-	-	-	-	-	-
-	-	70,000	60,000	210,000	-
-	-	19,226	15,350	150,500	-
-	-	89,226	75,350	360,500	-
-	40	(89,226)	(75,249)	(360,471)	86
-	-	89,226	67,675	361,495	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	89,226	67,675	361,495	-
-	40	-	(7,574)	1,024	86
4,277	160,310	45	(89,211)	768,953	8,948
\$ 4,277	\$ 160,350	\$ 45	\$ (96,785)	\$ 769,977	\$ 9,034

(continued)

CITY OF PATTERSON, LOUISIANA
Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (continued)
Year Ended June 30, 2017

	Catherine Street Paving Construction	Drainage and Relocation Project	Regional Sewerage Facility Project
Revenues:			
Taxes	\$ -	\$ -	\$ -
Miscellaneous	-	118	9
Total revenues	-	118	9
Expenditures:			
Current -			
Public safety:			
Fire	-	-	-
Debt service -			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	-	118	9
Other financing sources (uses):			
Transfers in	-	-	-
Proceeds from sale of asset	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	-	118	9
Fund balances, beginning	-	139,235	116,878
Fund balances, ending	\$ -	\$ 139,353	\$ 116,887

Capital Projects Funds

Third Street Paving Project	Murphy Street Paving Project	City Hall/ Jail Complex Project	Limited Tax Bonds Construction	2002 Paving Project	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,560
<u>23</u>	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,901</u>
<u>23</u>	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,461</u>
-	-	-	-	-	6,006
-	-	-	-	-	340,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>472</u>	<u>-</u>	<u>185,548</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>472</u>	<u>-</u>	<u>531,554</u>
23	37	-	(472)	-	(503,093)
-	-	-	89,326	-	607,722
-	-	-	-	-	65,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>(89,226)</u>	<u>-</u>	<u>(89,226)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>583,496</u>
23	37	-	(372)	-	80,403
<u>23,844</u>	<u>35,638</u>	<u>1,255</u>	<u>212,998</u>	<u>(30,558)</u>	<u>2,208,630</u>
<u>\$ 23,867</u>	<u>\$ 35,675</u>	<u>\$ 1,255</u>	<u>\$212,626</u>	<u>\$ (30,558)</u>	<u>\$ 2,289,033</u>

CITY OF PATTERSON, LOUISIANA
Enterprise Fund

Schedule of Number of Utility Customers
June 30, 2017

Records maintained by the City indicated the following customers were being served during the months of June 2017 and 2016:

<u>Department</u>	<u>2017</u>	<u>2016</u>
Gas (metered)	1,429	1,457
Water (metered)	2,551	2,595
Sewerage	2,188	2,230
Sanitation*	2,359	2,395

* Reported in General Fund

CITY OF PATTERSON, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
Years Ended June 30, 2017 and 2016

	Totals		Gas	
	2017	2016	2017	2016
Operating revenues:				
Charges for services -				
Customers	\$ 2,070,001	\$ 2,122,596	\$ 507,320	\$ 512,012
Delinquent charges	66,843	68,740	16,382	16,582
Commissions, transfers, and reconnections	38,936	42,556	9,543	10,265
Miscellaneous	100,474	69,367	31,187	16,733
Total operating revenue	<u>2,276,254</u>	<u>2,303,260</u>	<u>564,431</u>	<u>555,592</u>
Operating expenses:				
Salaries	692,912	682,299	166,470	168,021
Payroll taxes	50,544	50,175	12,403	12,561
Retirement contributions	112,005	72,757	31,163	20,900
Group insurance	143,942	139,077	32,981	32,029
Uncollectible billings	7,539	15,090	1,818	3,620
Gas purchases	262,922	273,517	262,922	273,517
Chemicals and agents	183,910	146,549	833	576
Repairs and maintenance	60,022	79,001	11,495	16,566
Vehicle expenses	42,409	38,814	27,614	26,440
Meters, hardware & lines	59,659	42,721	27,640	17,493
Professional fees	36,290	24,747	8,748	1,800
Depreciation	226,306	240,888	57,812	60,872
Insurance	307,366	323,280	-	-
Office expense	26,379	50,157	6,358	8,396
Sewerage treatment	303,742	336,803	-	-
Other	163,036	181,739	15,378	20,667
Allocation of administrative expenses	-	-	200,780	202,637
Total operating expenses	<u>2,678,983</u>	<u>2,697,614</u>	<u>864,415</u>	<u>866,095</u>
Operating loss	<u>(402,729)</u>	<u>(394,354)</u>	<u>\$ (299,984)</u>	<u>\$ (310,503)</u>
Nonoperating revenues (expenses):				
Interest income	1,319	1,510		
Loss before operating transfers	(401,410)	(392,844)		
Operating transfers in (out)	191,158	220,100		
Net income (loss)	<u>\$ (210,252)</u>	<u>\$ (172,744)</u>		

Water		Sewerage		Administrative	
2017	2016	2017	2016	2017	2016
\$1,146,665	\$1,188,523	\$ 416,016	\$ 422,061	\$ -	\$ -
37,027	38,490	13,434	13,668	-	-
21,568	23,829	7,825	8,462	-	-
52,862	38,841	16,426	13,793	-	-
<u>1,258,123</u>	<u>1,289,683</u>	<u>453,700</u>	<u>457,984</u>	<u>-</u>	<u>-</u>
253,166	300,836	-	-	273,276	213,442
18,136	22,724	-	-	20,005	14,890
45,324	37,692	-	-	35,518	14,165
39,041	59,370	-	-	71,920	47,678
4,182	8,430	1,539	3,040	-	-
-	-	-	-	-	-
182,493	145,195	584	778	-	-
28,479	42,549	18,164	18,542	1,884	1,344
10,794	7,998	3,040	2,770	961	1,606
26,786	24,845	4,880	383	353	-
-	-	6,992	307	20,550	22,640
35,419	39,232	120,839	125,401	12,236	15,383
-	-	-	-	307,366	323,280
10,060	32,153	-	-	9,961	9,608
-	-	303,742	336,803	-	-
76,422	81,204	6,030	11,770	65,206	68,098
453,811	470,377	164,645	167,037	(819,236)	(732,134)
<u>1,184,113</u>	<u>1,272,605</u>	<u>630,455</u>	<u>666,831</u>	<u>-</u>	<u>-</u>
<u>\$ 74,010</u>	<u>\$ 17,078</u>	<u>\$ (176,755)</u>	<u>\$ (208,847)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PATTERSON, LOUISIANA

Schedule of Insurance in Force
June 30, 2017

Description of Coverage	Coverage Amounts
Workmen's Compensation - Employer's liability	Statutory \$ 1,000,000
Surety Bonds -	
Ms. Angela Shilling-Boyles	25,000
Ms. Kim Dardeau	5,000
Public employees	5,000
Public right-of-way	1,528
Policemen's Professional Liability	1,000,000
Comprehensive General Liability, Bodily Injury, and Property Damage	1,000,000
Comprehensive Automobile Liability	1,000,000
Fire, Lightning, and Extended Coverage - Buildings and contents, all risks except flood and earthquake	5,047,400
Flood	
Building and contents, limits vary per location	2,400,000
Excess flood coverage, City Hall/Jail Complex	1,474,900
Summer Recreation Program -	
Death and dismemberment	3,000
Medical expense	10,000
Public officials errors and omissions	1,000,000

CITY OF PATTERSON, LOUISIANA

Schedule of Interest-Bearing Deposits-All Funds
June 30, 2017

	<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Amount</u>
General Fund:				
Insured Money Market	N/A	N/A	0.100%	\$ 128,897
Insured Money Market	N/A	N/A	0.100%	105,150
Insured Money Market	N/A	N/A	0.100%	45,167
Insured Money Market	N/A	N/A	0.100%	330,613
Insured Money Market	N/A	N/A	0.100%	55,410
Insured Money Market	N/A	N/A	0.100%	205,785
Insured Money Market	N/A	N/A	0.100%	25,296
Savings	N/A	N/A	0.050%	267,031
Savings	N/A	N/A	0.050%	8,236
Certificate of deposit - Patterson State Bank	31 days	7/27/2017	0.050%	45,000
Certificate of deposit - Patterson State Bank	91 days	7/31/2017	0.050%	50,000
Certificate of deposit - Patterson State Bank	91 days	8/23/2017	0.050%	30,000
Certificate of deposit - Patterson State Bank	182 days	8/4/2017	0.050%	796
Certificate of deposit - Patterson State Bank	181 days	11/11/2017	0.240%	236,348
Certificate of deposit - Patterson State Bank	182 days	8/4/2017	0.050%	86,487
Certificate of deposit - Patterson State Bank	1 year	3/19/2018	0.170%	500,000
				<u>2,120,216</u>
Special Revenue Fund:				
Sewerage and Solid Waste Sales Tax Fund -				
Insured Money Market	N/A	N/A	0.100%	909,851
Certificate of deposit - Patterson State Bank	182 days	8/9/2017	0.050%	155,000
Certificate of deposit - Patterson State Bank	1 year	3/19/2018	0.170%	2,000,000
				<u>3,064,851</u>
Ad Valorem Tax Collection Fund -				
Savings	N/A	N/A	0.050%	<u>16,630</u>
Fire Department Equipment Fund -				
Insured Money Market	N/A	N/A	0.100%	261,633
Certificate of Deposit - Patterson State Bank	90 days	8/9/2017	0.050%	25,000
Certificate of Deposit - Patterson State Bank	1 year	9/24/2017	0.250%	73,613
				<u>360,246</u>
Total special revenue funds				<u>3,441,727</u>

CITY OF PATTERSON, LOUISIANA

Schedule of Interest-Bearing Deposits-All Funds (continued)
June 30, 2017

	<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Amount</u>
Debt Service Funds:				
Public Improvement Bonds Fund -				
Insured Money Market	N/A	N/A	0.100%	<u>28,439</u>
Sales Tax Revenue Refunding Bonds Series -				
Insured Money Market	N/A	N/A	0.100%	136,718
Certificate of Deposit - Patterson State Bank	182 days	10/31/2017	0.240%	<u>271,487</u>
				<u>408,205</u>
Sales Tax Sinking Fund -				
Insured Money Market	N/A	N/A	0.100%	13,423
Insured Money Market - Reserve	N/A	N/A	0.100%	<u>87,724</u>
				<u>101,147</u>
1966, 1967, 1969, 1980 AND 1982 Paving Assessment Funds -				
Savings	N/A	N/A	0.050%	106
Certificate of Deposit - Patterson State Bank	182 days	8/3/2017	0.050%	54,917
Certificate of Deposit - Patterson State Bank	182 days	7/31/2017	0.050%	56,651
Certificate of Deposit - Patterson State Bank	182 days	8/1/2017	0.050%	<u>22,600</u>
				<u>134,274</u>
1990 Street Paving Project -				
Insured Money Market	N/A	N/A	0.100%	<u>85,877</u>
Total debt service funds				<u>757,942</u>
Capital Projects Funds:				
1980 Drainage Project Fund -				
Insured Money Market	N/A	N/A	0.100%	<u>118,138</u>
Regional Sewerage Facility Project Fund -				
Insured Money Market	N/A	N/A	0.000%	15,454
Certificate of Deposit - Patterson State Bank	182 days	8/9/2017	0.050%	20,000
Certificate of Deposit - Patterson State Bank	182 days	8/1/2017	0.050%	<u>80,857</u>
				<u>116,311</u>
Third Street Paving Project Fund -				
Insured Money Market	N/A	N/A	0.100%	<u>23,867</u>
Murphy Street Paving Project Fund -				
Insured Money Market	N/A	N/A	0.100%	<u>36,067</u>

CITY OF PATTERSON, LOUISIANA

Schedule of Interest-Bearing Deposits-All Funds (continued)
June 30, 2017

	<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Amount</u>
Sales Tax Bond Construction Fund - Insured Money Market	N/A	N/A	0.000%	<u>387</u>
 Total capital projects funds				<u>294,770</u>
 Utility Funds:				
Insured Money Market	N/A	N/A	0.180%	249,717
Insured Money Market	N/A	N/A	0.100%	30,631
Insured Money Market	N/A	N/A	0.100%	97,873
Savings	N/A	N/A	0.050%	7,435
Savings	N/A	N/A	0.050%	35,959
Certificate of Deposit - Patterson State Bank	182 days	10/28/2017	0.240%	140,275
Certificate of Deposit - Patterson State Bank	182 days	8/5/2017	0.050%	46,632
Certificate of Deposit - Patterson State Bank	1 year	3/19/2018	0.170%	<u>500,000</u>
				<u>1,108,522</u>
 Total - all funds				<u>\$ 7,723,177</u>

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Penny Angelle Scruggins, CPA
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA

Casey L. Ardoin, CPA
Alan M. Taylor, CPA
Stephen R. Moore, Jr., CPA, PFS, CFP®, ChFC®*
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Mandy B. Self, CPA
Paul L. Delcambre, Jr., CPA
Jane R. Hebert, CPA
Deidre L. Stock, CPA
Karen V. Fontenot, CPA
Tabby A. LeMay, CPA
Shayne M. Breaux, CPA

* A Professional Accounting Corporation

183 South Beadle Rd
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Iberna, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bndge St
Breaux Bndge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

434 East Main Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddil St
Marksville LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

1428 Metro Dnve
Alexandria, LA 71301
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KCSRCPAS.COM

Retired
Conrad O. Chapman, CPA* 2006

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

The Honorable Rodney Grogan, Mayor
and Members of the City Council
City of Patterson, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Patterson, Louisiana (hereinafter "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 29, 2017.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and are described in the accompanying schedule of audit results and findings as items 2017-001 and 2017-002.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit results and findings as item 2017-003.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying management's corrective action plan for current audit findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 29, 2017

CITY OF PATTERSON, LOUISIANA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

2016-001

CONDITION: Material Adjustments to the Financial Statements

CURRENT STATUS: This finding was not resolved and will be reiterated in 2017.

2016-002

CONDITION: Credit Card Purchases

CURRENT STATUS: This finding was only applicable to year ended June 30, 2016. The City implemented corrective action in response to the incidents identified.

2016-003

CONDITION: Misappropriation of Assets

CURRENT STATUS: This finding was only applicable to the year ended June 30, 2016.

CITY OF PATTERSON, LOUISIANA

Schedule of Audit Results and Findings
Year Ended June 30, 2017

Part 1: Summary of Auditor's Results

An unmodified opinion has been issued on the City of Patterson, Louisiana's financial statements as of and for the year ended June 30, 2017.

Two deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements. These deficiencies are considered to be material weaknesses.

One material instance of noncompliance was disclosed during the audit of the financial statements.

A management letter was not issued.

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2017-001 - Material Adjustments to the Financial Statements

CONDITION: During the performance of audit procedures, audit adjustments were proposed to correct misstatements that, individually and in the aggregate, were material to the City's financial statements.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

A deficiency in internal control is defined as a condition where 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. It defines a material weakness as a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements may not be prevented, or detected and corrected on a timely basis.

The identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the City's internal control is an indicator of a material weakness in internal control.

CAUSE: The cause of the condition is failure by management to design and implement effective internal controls such that there is a reasonable possibility that a material misstatement will be prevented or detected and corrected on a timely basis by management or employees, in the normal course of performing their assigned functions.

EFFECT: The effect of the condition is that financial statements may contain a material misstatement that is not detected and corrected.

RECOMMENDATION: The City should develop and implement procedures to ensure that material misstatements in the financial statements are identified and corrected in a timely manner.

CITY OF PATTERSON, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

2017-002 – Failure to Timely Remit Sales Tax Returns

CONDITION: The City incurred unnecessary penalties for late filing and late payment of sales taxes on utility collections.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity’s objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

CAUSE: The condition is the result of a failure to design and implement policies and procedures to achieve adequate internal control and compliance with applicable laws and regulations.

EFFECT: The City has incurred unnecessary expenses in its Utility Fund.

RECOMMENDATION: We recommend that the City implement policies and procedures to insure that sales taxes collected from customers are remitted to regulatory authorities in accordance with applicable laws and regulations.

2017-003 – Budget Variance in Excess of 5% in the Ad Valorem Tax Collection Fund

CONDITION: The City incurred an unfavorable variance in its Ad Valorem Tax Collection Fund in excess of amounts allowed by statute.

CRITERIA: LSA-RS 39:1311 et seq, Budgetary Authority and Control, provides for the following:

“A. The adopted budget and any duly authorized amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer shall advise the governing authority or independently elected official in writing when:

- (1) Revenue collection plus projected revenue collections for the remainder of the year, within a fund, fail to meet estimated annual revenues by five percent or more.
- (2) Actual expenditures plus projected expenditures for the remainder of the year, within a fund, are exceeding estimated budgeted expenditures by five percent or more.
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and beginning fund balance is being used to fund current expenditures.”

CAUSE: The condition results from the failure to properly monitor revenues and expenditures in individual funds.

CITY OF PATTERSON, LOUISIANA

Schedule of Audit Results and Findings (continued)
Year Ended June 30, 2017

EFFECT: The City may not prevent and/or detect compliance violations due to over expenditure of the appropriated budget, and/or errors or irregularities on a timely basis. Also, the mayor may be subject to the penalty provisions of LSA-RS 14:134.

RECOMMENDATION: We recommend that the City's administrative authority prepare and review budget to actual comparisons on a regular basis and amend its budget upon determination of significant variances in accordance with LSA-RS 39:1311 et seq.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At June 30, 2017, the City of Patterson, Louisiana did not meet the requirements to have a single audit in accordance with Uniform Guidance, therefore this section is not applicable.

CITY OF PATTERSON, LOUISIANA

Management's Corrective Action Plan for Current Audit Findings
Year Ended June 30, 2017

Response to Finding 2017-001: Material Adjustments to the Financial Statements

With the addition of an accountant to the City's financial staff, accounting activities are being performed on a timely basis and errors including unrecorded transactions have been significantly reduced. The City's financial staff diligently tries to capture all transactions prior to closing its books and utilizes the City's independent auditors for assistance in conversion of its books from the cash basis to the accrual basis.

Response to Finding 2017-002: Failure to Timely Remit Sales Tax Returns

The City has implemented policies to ensure that monthly sales tax reports are prepared and filed in accordance with applicable regulations.

Response to Finding 2017-003: Budget Variance in Excess of 5% in the Ad Valorem Tax Collection Fund

In the future, the City will monitor expenditures in its major funds to ensure that the budget amendments adopted will cause the City to be in compliance with the budget laws.

KOLDER, CHAMPANGE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Russel Champagne, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Penny Angelle Scruggins, CPA
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA

Casey L. Ardoin, CPA
Alan M. Taylor, CPA
Albert R. Leger, CPA, PFS, CSA*
Marshall W. Guidry, CPA
Stephen R. Moore, Jr., CPA, PFS, CFP®, ChFC®*
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Mandy B. Self, CPA
Paul L. Delcambre, Jr., CPA
Jane R. Hebert, CPA
Deidre L. Stock, CPA
Karen V. Fontenot, CPA
Tabby A. LeMay, CPA
Seth C. Noms, CPA
Shayne M. Breaux, CPA

* A Professional Accounting Corporation

183 South Beadle Rd
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Iberna, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bndge St
Breaux Bndge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

434 East Main Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddil St
Marksville LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

1428 Metro Dnve
Alexandria, LA 71301
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KCSRCPAS.COM

Retired: Conrad O. Chapman, CPA* 2006

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Rodney Grogan
and Members of the City Council
City of Patterson, Louisiana

We have performed the procedures enumerated below, which were agreed to by the City of Patterson (hereinafter "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, 2016 through June 30, 2017. The City's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the City's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the City does not have any written policies and procedures), as applicable:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Written policies and procedures were obtained and address the functions noted above.

- 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.

Written policies and procedures were obtained and address the functions noted above.

- c) **Disbursements**, including processing, reviewing, and approving
Written policies and procedures were obtained and address the functions noted above.
- d) **Receipts**, including receiving, recording, and preparing deposits
Written policies and procedures were obtained and address the functions noted above.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Written policies and procedures were obtained and address the functions noted above.
- 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
Written policies and procedures were obtained and address the functions noted above.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
Written policies and procedures were obtained and address the functions noted above.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
Written policies and procedures were obtained and address the functions noted above.
- 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 City's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
Written policies and procedures were obtained and address the functions noted above.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Written policies and procedures were obtained and address the functions noted above.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
The board met (with a quorum) at least monthly.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the City's prior audit (GAAP-basis).
The minutes referenced/included a monthly budget-to-actual comparison for the General and Utility funds only.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Not Applicable.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

For at least one meeting during the fiscal period, the minutes referenced non-budgetary financial information.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained listing of client bank accounts from management and management's representation that listing is complete.

- 4. Using the listing provided by management, select all of the City's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all months in the fiscal year, noting that for 3 of the 9 bank accounts selected for testing, reconciliations were prepared for all months. The other 6 accounts are not being reconciled.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Bank reconciliations do not include evidence that a member of management has reviewed the reconciliations.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

The City has no documentation indicating that they are researching its items outstanding for longer than 6 months.

Collections

- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained listing of cash collection location and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the City's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

(1) Persons responsible for collecting cash are bonded.

(2) Persons responsible for collecting cash deposit the cash in the bank. They do not record the related transactions. Persons responsible for collecting cash do not reconcile the bank accounts.

(3) Persons responsible for collecting cash do not share drawers in which cash is collected.

b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the City has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The City has a formal process to reconcile cash collections to the general ledger by their accountant, who is not responsible for collection of cash.

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

➤ Using the City collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Deposits were made within one day of collection.

➤ Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Collection documentation was obtained and addresses the functions noted above.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the City has a process specifically defined (identified as such by the City) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Written policies and procedures were obtained and address the functions noted above.

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

8. Obtain a listing of the City disbursements from management or, alternately, obtain the general ledger and sort/filter for the City disbursements. Obtain management's representation that the listing or general ledger population is complete.

Obtained listing of disbursements and management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the City had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

16 of the 25 transactions tested were not initiated through the purchase order / requisition system.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Examined supporting documentation for each of the 25 disbursements selected, noting no evidence that purchases were not approved by a person that did not initiate the purchase.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Examined supporting documentation for the 9 transactions that did have purchase orders, noting evidence of an approved requisition/purchase order, a receiving report, and an approved invoice. The remaining 16 transactions tested did not have an approved purchase order but did have a receiving report (when applicable), and an approved invoice attached.

10. Using the City documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the City's purchasing/disbursement system.

Written policies and procedures were obtained and address the functions noted above.

11. Using the City documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The City does not have written documentation prohibiting persons having signatory authority or final authorization for disbursements from also having responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review the City documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is in a secure location with access restricted to those persons who do not have signatory authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Not Applicable – no signature stamp or signature machine is used.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Obtained a listing of all active cards including the card numbers and names of the persons who maintained possession of said cards, and management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the City has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

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

Noted no evidence that statements are being approved in writing by someone other than the cardholder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No finance charges or late fees were assessed on any of the statements.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

All transactions were supported by itemized receipts.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

6 of the 7 transactions were supported by documentation of the business/public purpose.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

None of the transactions were initiated through the purchase order system.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the City's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

None of the transactions were initiated through the purchase order system.

- c) For each transaction, compare the City's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

All transactions complied with Article 7, Section 14.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Obtained listing of travel and expense reimbursements and management's representation that the listing is complete.

18. Obtain the City's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Policies were obtained. Mileage is being reimbursed at a rate that exceeds the US GSA rate.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the City does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

All expenses tested were reimbursed in accordance with written policy.

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

All expenses tested were supported by an original itemized receipt that identified what was purchased.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

All expenses tested were supported by documentation detailing the business/public purpose.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Per City policy, all employees' travel reimbursement requests should be approved in writing by the Mayor, and the Mayor's travel reimbursement requests should be approved by the board. No such written approval was noted in the support provided.

c) Compare the City's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

All transactions tested adhered to Article 7, Section 14 of the LA Constitution.

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

As noted in 19b above, none of the transactions tested were reviewed and approved, in writing.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Obtained a listing of all contracts in effect during the fiscal period and management's representation that the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

All contracts tested were supported by a formal/written contract which detailed the services arrangements and the amounts to be paid.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the City complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
No instances of noncompliance noted.
 - If no, obtain supporting contract documentation and report whether the City solicited quotes as a best practice.
No instances of noncompliance noted.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
Not Applicable.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
No exceptions noted.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).
No exceptions noted.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- Obtained listing of employees and the elected official with their related salaries, and management's representation that the listing is complete.*
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
Payments were made in accordance with the the pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
Not Applicable – no changes were made to pay rates during the fiscal period.
23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the City had less than 25 employees during the fiscal period), and:
- Obtained attendance and leave records.*

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

Viewed documentation supporting that for all employees tested, documentation of their daily attendance/leave was available.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Viewed written documentation that supervisors approved the attendance and leave of the employees.

- c) Report whether there is written documentation that the City maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Viewed documentation supporting that the City maintained written leave records of the employees.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Termination payments were made in accordance with policy and approved by management.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Noted two instances in which retirement contributions and reports were not submitted on time.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the City maintained documentation to demonstrate that required ethics training was completed.

Viewed ethics compliance documentation for all 5 employees demonstrating that the required ethics training was completed.

27. Inquire of management whether any alleged ethics violations were reported to the City during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the City's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Per management, they have received no allegations of ethics violations during the fiscal period.

Debt Service (excluding nonprofits)

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

No debt issued during the fiscal period.

29. If the City had outstanding debt during the fiscal period, obtain supporting documentation from the City and report whether the City made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The City made debt service payments and maintained reserves as required by its debt covenants.

30. If the City had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Collections did not exceed debt service payments by more than 10%.

Other

31. Inquire of management whether the City had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the City reported the misappropriation to the legislative auditor and the district attorney of the parish in which the City is domiciled.

Per management, they there were no misappropriations of public funds or assets during the fiscal period

32. Observe and report whether the City has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The City has posted on its premises the notice required by R.S. 24:523.1; however, it is not posted on the City's website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

None noted.

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.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants