

CITY OF BAKER, LOUISIANA

Basic Financial Statements, Independent Auditors' Reports, and Supplemental Information

Year Ended June 30, 2013

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 26 2014**



A Professional Accounting Corporation

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June 30, 2013**

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INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Honorable Harold Rideau, Mayor
And the Members of the City Council
City of Baker, Louisiana

We were engaged to audit the accompanying financial statements of the Governmental Activities, the Business Type Activities, each major fund, and the aggregate other non-major fund information for the City of Baker, Louisiana (the City), for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Baker, Louisiana (the City).

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

A number of the City's general ledger accounts were not sufficiently reconciled to underlying subsidiary ledgers or to asset account statements, including: the City's consolidated cash account, accounts receivable, inventory accounts, accounts payable, utility deposit accounts, beginning fund balance and net position accounts. Therefore, we were not able to obtain sufficient audit evidence about the amounts at which cash, accounts receivable, inventory, accounts payable, merchandise payable, utility deposits payable, and fund balance and net position amounts are recorded in the accompanying basic financial statements of the Governmental Activities, the Business Type Activities, each major fund, the aggregate non-major fund information and the related notes to the financial statements for the City of Baker Louisiana as of and for the year ended June 30, 2013.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, and the schedules of funding progress and employer contributions for other post-employment benefit plans on pages 39 through 43, and page 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 disclaimer of opinion on the basic financial statements is not affected by this missing information.

Other Information

Our engagement to audit was for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining non-major fund financial statements on pages 45-48, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 54 - 55 is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Because of the significance of the matter described previously, it is inappropriate to and we do not express an opinion on the supplemental information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014 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, 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 provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Postlethwaite + Netterville

Baton Rouge, Louisiana
January 15, 2014

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BAKER, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2013

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS: | | | |
| Cash and cash equivalents | \$ 3,972,798 | \$ 4,675,671 | \$ 8,648,469 |
| Investments | 6,001,441 | - | 6,001,441 |
| Taxes receivable | 753,831 | - | 753,831 |
| Due from other governmental agencies | - | 16,535 | 16,535 |
| Accounts receivable (net) | 420,193 | 399,843 | 820,036 |
| Prepaid expenses | 38,130 | 5,274 | 43,404 |
| Inventory | 128,213 | 381,046 | 509,259 |
| Restricted assets | | | |
| Investments | - | 967,408 | 967,408 |
| Capital assets: | | | |
| Land and construction in progress | 873,722 | 373,572 | 1,247,294 |
| Depreciable capital assets, net | 8,353,736 | 7,130,642 | 15,484,378 |
| TOTAL ASSETS | 20,542,064 | 13,949,991 | 34,492,055 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| | - | - | - |
| LIABILITIES: | | | |
| Accounts payable | 460,753 | 279,060 | 739,813 |
| Accrued expenses and other liabilities | 474,701 | - | 474,701 |
| Unearned revenue | 27,762 | 1,639 | 29,401 |
| Customer deposits | - | 799,823 | 799,823 |
| Due to other governmental agencies | 112,682 | - | 112,682 |
| Internal balances | (11,391) | - | (11,391) |
| Long-term liabilities: | | | |
| Due within one year | 429,169 | 87,081 | 516,250 |
| Due beyond one year | 1,161,646 | 2,706,256 | 3,867,902 |
| TOTAL LIABILITIES | 2,655,322 | 3,873,859 | 6,529,181 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| | - | - | - |
| NET POSITION: | | | |
| Net investment in capital assets | 9,227,458 | 5,520,214 | 14,747,672 |
| Restricted for: | | | |
| Debt service | - | 1,000,000 | 1,000,000 |
| Capital improvements/street maintenance | 5,429,396 | 750,000 | 6,179,396 |
| Salaries - fire/police | 88,675 | - | 88,675 |
| Court System | 1,280,105 | - | 1,280,105 |
| Unrestricted | 1,861,108 | 2,805,918 | 4,667,026 |
| TOTAL NET POSITION | \$ 17,886,742 | \$ 10,076,132 | \$ 27,962,874 |

The accompanying notes are an integral part of this statement.

| <u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u> | |
|--|-----------------------|
| <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
| \$ - | \$ 416,247 |
| - | (4,934,729) |
| - | (2,422,802) |
| - | (4,030) |
| - | <u>(6,945,314)</u> |
| 1,944,993 | 1,944,993 |
| (46,091) | (46,091) |
| (15,394) | (15,394) |
| <u>1,883,508</u> | <u>1,883,508</u> |
| <u>\$ 1,883,508</u> | <u>\$ (5,061,806)</u> |
| - | 4,523,714 |
| - | 365,179 |
| - | 656,157 |
| - | 65,397 |
| - | 238,374 |
| 5,441 | (396) |
| 5,707 | 432,791 |
| - | 11,800 |
| <u>11,148</u> | <u>6,293,016</u> |
| 1,894,656 | 1,231,210 |
| <u>8,181,476</u> | <u>26,731,664</u> |
| <u>\$ 10,076,132</u> | <u>\$ 27,962,874</u> |

FUND FINANCIAL STATEMENTS

CITY OF BAKER, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

| | General | Half Cent Special Tax | Street Maintenance/ Construction | Other Non- Major Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------|--|--|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ (2,700,570) | \$ 411,891 | \$ 3,160,057 | \$ 3,101,420 | \$ 3,972,798 |
| Investments | 3,451,528 | - | 2,236,567 | 313,346 | 6,001,441 |
| Inventory | 128,213 | - | - | - | 128,213 |
| Due from other funds | 516,799 | 198,722 | - | 93,328 | 808,849 |
| Receivables: | | | | | |
| Accounts | 348,802 | - | - | 71,391 | 420,193 |
| Taxes | 554,983 | 120,468 | 78,380 | - | 753,831 |
| Prepaid expenses | 38,130 | - | - | - | 38,130 |
| TOTAL ASSETS | 2,337,885 | 731,081 | 5,475,004 | 3,579,485 | 12,123,455 |
| LIABILITIES | | | | | |
| Accounts payable | 258,848 | - | 45,608 | 156,297 | 460,753 |
| Other payables | 380,228 | 85,630 | - | 8,843 | 474,701 |
| Due to other funds | - | 589,408 | - | 208,050 | 797,458 |
| Due to other governmental agencies | - | - | - | 112,682 | 112,682 |
| Unearned revenue | 27,762 | - | - | - | 27,762 |
| TOTAL LIABILITIES | 666,838 | 675,038 | 45,608 | 485,872 | 1,873,356 |
| FUND BALANCES | | | | | |
| Non-spendable | 166,343 | - | - | - | 166,343 |
| Restricted | - | 56,043 | 5,429,396 | 1,324,941 | 6,810,380 |
| Committed | - | - | - | 1,321,241 | 1,321,241 |
| Assigned | - | - | - | 464,754 | 464,754 |
| Unassigned | 1,504,704 | - | - | (17,323) | 1,487,381 |
| TOTAL FUND BALANCES | 1,671,047 | 56,043 | 5,429,396 | 3,093,613 | 10,250,099 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,337,885 | \$ 731,081 | \$ 5,475,004 | \$ 3,579,485 | \$ 12,123,455 |

The accompanying notes are an integral part of this statement.

CITY OF BAKER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

| | | |
|---|---------------------|----------------------|
| Fund balance, June 30, 2013 - governmental funds | | \$ 10,250,099 |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:</p> | | |
| Cost of capital assets at June 30, 2013 | 20,491,058 | |
| Less: accumulated depreciation as of June 30, 2013 | <u>(11,263,600)</u> | 9,227,458 |
| <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund liabilities.</p> | | |
| Compensated absences | | (608,900) |
| Net OPEB benefits | | (906,915) |
| Claims and judgments payable | | <u>(75,000)</u> |
| Total net position at June 30, 2013 - governmental activities | | <u>\$ 17,886,742</u> |

The accompanying notes are an integral part of this statement.

CITY OF BAKER, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | General | Half Cent Special Tax | Street Maintenance/ Construction | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------|--|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Intergovernmental revenues | \$ 493,140 | \$ - | \$ - | \$ - | \$ 493,140 |
| Taxes | | | | | |
| Sales | 3,070,936 | 812,047 | 640,731 | - | 4,523,714 |
| Franchise | 656,157 | - | - | - | 656,157 |
| Property | 365,179 | - | - | - | 365,179 |
| Occupancy | 65,397 | - | - | - | 65,397 |
| Industrial | 73,777 | - | - | - | 73,777 |
| Video bingo | 79,199 | - | - | - | 79,199 |
| Firemen's | 62,902 | - | - | - | 62,902 |
| Chain store | 12,555 | - | - | - | 12,555 |
| Beer | 9,941 | - | - | - | 9,941 |
| Licenses and permits | 490,234 | - | - | - | 490,234 |
| Charges for services | 1,815,993 | - | - | 1,282,049 | 3,098,042 |
| City court/prosecutor fees | 255,642 | - | - | 302,172 | 557,814 |
| Interest earned | 39,147 | - | (41,557) | (3,427) | (5,837) |
| Other contributions | 64,207 | - | - | 7,102 | 71,309 |
| Other revenues | 127,879 | 7,047 | - | 292,158 | 427,084 |
| Total revenues | 7,682,285 | 819,094 | 599,174 | 1,880,054 | 10,980,607 |
| Expenditures: | | | | | |
| General government | 2,579,296 | - | - | 359,401 | 2,938,697 |
| Public safety | 3,134,624 | 1,480,386 | - | 319,719 | 4,934,729 |
| Public works | 1,857,694 | - | 118,555 | 446,553 | 2,422,802 |
| Debt - Principal | 211,000 | - | - | - | 211,000 |
| Debt - Interest | 4,030 | - | - | - | 4,030 |
| Capital outlay | 182,094 | - | - | 50,000 | 232,094 |
| Total expenditures | 7,968,738 | 1,480,386 | 118,555 | 1,175,673 | 10,743,352 |
| Excess (deficiency) of revenues over expenditures | (286,453) | (661,292) | 480,619 | 704,381 | 237,255 |
| Other financing sources (uses): | | | | | |
| Transfers to other funds | (1,191,634) | - | - | - | (1,191,634) |
| Transfers from other funds | 15,939 | 1,041,634 | - | 145,861 | 1,203,434 |
| Total other financing sources (uses) | (1,175,695) | 1,041,634 | - | 145,861 | 11,800 |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | (1,462,148) | 380,342 | 480,619 | 850,242 | 249,055 |
| Fund balance (deficit), beginning, as restated | 3,133,195 | (324,299) | 4,948,777 | 2,243,371 | 10,001,044 |
| Fund balance (deficit), ending | \$ 1,671,047 | \$ 56,043 | \$ 5,429,396 | \$ 3,093,613 | \$ 10,250,099 |

The accompanying notes are an integral part of this statement.

CITY OF BAKER, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - governmental funds \$ 249,055

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

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

| | | |
|--|------------------|-----------|
| Capital outlay and other capitalized purchases | 165,814 | |
| Depreciation expense | <u>(844,041)</u> | (678,227) |

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

| | | |
|---|--|---------|
| Bond and capital lease principal payments | | 211,000 |
|---|--|---------|

Other changes in long-term obligations:

| | | |
|----------------------|---------------|------------------|
| Net OPEB payable | (475,379) | |
| Compensated absences | <u>30,105</u> | <u>(445,274)</u> |

| | | |
|---|--|-------------------------|
| Change in net position of governmental activities | | <u><u>(663,446)</u></u> |
|---|--|-------------------------|

The accompanying notes are an integral part of this statement.

CITY OF BAKER
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2013

| | <u>Utility</u> | <u>Cemetery</u> | <u>City Parish Sewer Revenue</u> | <u>Total Enterprise Funds</u> |
|--|--------------------|------------------|--------------------------------------|-----------------------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 4,267,735 | \$ 193,306 | \$ 214,630 | \$ 4,675,671 |
| Due from other governments | 16,535 | - | - | 16,535 |
| Accounts receivable (net) | 313,429 | 31,593 | 54,821 | 399,843 |
| Prepaid items | 4,683 | - | 591 | 5,274 |
| Inventory | 44,822 | 336,224 | - | 381,046 |
| Total current assets | <u>4,647,204</u> | <u>561,123</u> | <u>270,042</u> | <u>5,478,369</u> |
| Restricted assets | | | | |
| Investments | <u>732,438</u> | <u>234,970</u> | <u>-</u> | <u>967,408</u> |
| Total restricted assets | <u>732,438</u> | <u>234,970</u> | <u>-</u> | <u>967,408</u> |
| Capital Assets: | | | | |
| Land | 243,572 | 130,000 | - | 373,572 |
| Equipment, vehicles, and furniture | 14,933,532 | 355,989 | 4,076 | 15,293,597 |
| Accumulated depreciation | <u>(7,870,421)</u> | <u>(288,458)</u> | <u>(4,076)</u> | <u>(8,162,955)</u> |
| Total capital assets | <u>7,306,683</u> | <u>197,531</u> | <u>-</u> | <u>7,504,214</u> |
| TOTAL ASSETS | <u>12,686,325</u> | <u>993,624</u> | <u>270,042</u> | <u>13,949,991</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

(continued)

The accompanying notes are an integral part of this statement.

CITY OF BAKER
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2013

| | <u>Utility</u> | <u>Cemetery</u> | <u>City Parish Sewer Revenue</u> | <u>Total Enterprise Funds</u> |
|---|------------------|-----------------|--------------------------------------|-----------------------------------|
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Payable from current assets: | | | | |
| Accounts payable | 119,568 | 2,587 | 156,905 | 279,060 |
| Compensated absences | 87,081 | - | - | 87,081 |
| Unearned revenue | - | 1,639 | - | 1,639 |
| Merchandise payable | - | - | - | - |
| Notes payable | - | - | - | - |
| Total current assets | <u>206,649</u> | <u>4,226</u> | <u>156,905</u> | <u>367,780</u> |
| Payable from restricted assets: | | | | |
| Customer deposits | 799,823 | - | - | 799,823 |
| Total restricted assets | <u>799,823</u> | <u>-</u> | <u>-</u> | <u>799,823</u> |
| Long-term liabilities: | | | | |
| Compensated absences | 143,877 | 2,524 | 22,430 | 168,831 |
| Bonds payable | 1,984,000 | - | - | 1,984,000 |
| Payable from restricted assets. | | | | |
| Merchandise payable | - | 553,425 | - | 553,425 |
| Total long-term liabilities | <u>2,127,877</u> | <u>555,949</u> | <u>22,430</u> | <u>2,706,256</u> |
| TOTAL LIABILITIES | <u>3,134,349</u> | <u>560,175</u> | <u>179,335</u> | <u>3,873,859</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| | - | - | - | - |
| NET POSITION | | | | |
| Net investment in capital assets | 5,322,683 | 197,531 | - | 5,520,214 |
| Debt service | 1,000,000 | - | - | 1,000,000 |
| Capital improvements/street maintenance | 750,000 | - | - | 750,000 |
| Unrestricted | 2,479,293 | 235,918 | 90,707 | 2,805,918 |
| TOTAL NET POSITION | <u>9,551,976</u> | <u>433,449</u> | <u>90,707</u> | <u>10,076,132</u> |

(concluded)

CITY OF BAKER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Utility</u> | <u>Cemetery</u> | <u>City Parish Sewer Revenue</u> | <u>Total</u> |
|--|---------------------|-------------------|--------------------------------------|----------------------|
| <u>OPERATING REVENUES:</u> | | | | |
| Charges for services | \$ 4,617,849 | \$ - | 62,271 | \$ 4,680,120 |
| Sales | - | 224,001 | - | 224,001 |
| Total operating revenues | 4,617,849 | 224,001 | 62,271 | 4,904,121 |
| <u>OPERATING EXPENSES:</u> | | | | |
| Personal services | 1,025,816 | 77,768 | 53,221 | 1,156,805 |
| Employee benefits | 217,900 | 25,097 | 5,431 | 248,428 |
| Supplies | 98,646 | 4,829 | 19,013 | 122,488 |
| Cost of goods sold | - | 121,881 | - | 121,881 |
| Contractual services | 835,405 | 5,949 | - | 841,354 |
| Depreciation | 373,791 | 7,082 | - | 380,873 |
| Repairs and maintenance | 147,996 | 3,243 | - | 151,239 |
| Rent expense | 321,257 | 209 | - | 321,466 |
| Insurance expense | 75 | 4,118 | - | 4,193 |
| Auto expense | 49,795 | 3,964 | - | 53,759 |
| Utilities | 107,333 | 9,928 | - | 117,261 |
| Other operating expenses | 8,962 | 6,024 | - | 14,986 |
| Total operating expenses | 3,186,976 | 270,092 | 77,665 | 3,534,733 |
| INCOME FROM OPERATIONS | 1,430,873 | (46,091) | (15,394) | 1,369,388 |
| <u>NON-OPERATING REVENUES (EXPENSES):</u> | | | | |
| Interest income | (368) | 5,809 | - | 5,441 |
| Other revenues | 5,655 | 52 | - | 5,707 |
| Interest expense | (94,674) | - | - | (94,674) |
| Total nonoperating revenues (expenses) | (89,387) | 5,861 | - | (83,526) |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | 1,341,486 | (40,230) | (15,394) | 1,285,862 |
| Capital contributions | 608,794 | - | - | 608,794 |
| CHANGE IN NET POSITION | 1,950,280 | (40,230) | (15,394) | 1,894,656 |
| <u>NET POSITION:</u> | | | | |
| Balance, beginning of year, as restated | 7,601,696 | 473,679 | 106,101 | 8,181,476 |
| Balance, end of year | \$ 9,551,976 | \$ 433,449 | \$ 90,707 | \$ 10,076,132 |

The accompanying notes are an integral part of this statement.

CITY OF BAKER
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Utility | Cemetery | City Parish Sewer Revenue | Total |
|---|---------------------|--------------------|------------------------------|---------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | | |
| Receipts from customers | \$ 4,880,578 | \$ 239,018 | \$ 62,272 | \$ 5,181,868 |
| Payments to suppliers for goods and services | (1,549,319) | (146,010) | (18,021) | (1,713,350) |
| Payments to employees for services and benefits | (1,066,145) | (102,865) | (37,165) | (1,206,175) |
| Net cash provided by operating activities | <u>2,265,114</u> | <u>(9,857)</u> | <u>7,086</u> | <u>2,262,343</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | | | |
| Acquisition of capital assets | (1,213,496) | - | - | (1,213,496) |
| Gross proceeds on issuance of debt | 1,213,495 | - | - | 1,213,495 |
| Principal payments on debt | (1,949,074) | - | - | (1,949,074) |
| Interest paid on debt | (124,204) | - | - | (124,204) |
| Net cash provided by (used for) capital and related financing activities | <u>(2,073,279)</u> | <u>-</u> | <u>-</u> | <u>(2,073,279)</u> |
| <u>CASH FLOW FROM INVESTING ACTIVITIES</u> | | | | |
| Purchases of investments | - | (29,201) | - | (29,201) |
| Proceeds from the sale of investments | - | - | - | - |
| Net cash provided by (used for) investing activities | <u>-</u> | <u>(29,201)</u> | <u>-</u> | <u>(29,201)</u> |
| | | | | |
| Net increase (decrease) in cash and cash equivalents | 191,835 | (39,058) | 7,086 | 159,863 |
| Cash and cash equivalents, beginning of the year | <u>4,075,900</u> | <u>232,364</u> | <u>207,544</u> | <u>4,515,808</u> |
| Cash and cash equivalents, end of the year | <u>\$ 4,267,735</u> | <u>\$ 193,306</u> | <u>\$ 214,630</u> | <u>\$ 4,675,671</u> |
| Reconciliation of operating income to net cash provided by (used for) operating activities: | | | | |
| Operating income (loss) | <u>\$ 1,430,873</u> | <u>\$ (46,091)</u> | <u>\$ (15,394)</u> | <u>\$ 1,369,388</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Depreciation | 373,791 | 7,082 | - | 380,873 |
| (Increase) decrease in accounts receivable | 246,194 | 13,378 | 1 | 259,573 |
| (Increase) decrease in due from other governments | 16,535 | - | - | 16,535 |
| (Increase) decrease in prepaid items | 4,683 | - | - | 4,683 |
| (Increase) decrease in inventory | 8,870 | (2,742) | - | 6,128 |
| Increase (decrease) in accounts payable | (335) | (5,858) | 8,178 | 1,985 |
| Increase (decrease) in unearned revenue | - | 1,639 | - | 1,639 |
| Increase (decrease) in other payables | 6,932 | 22,735 | - | 29,667 |
| Increase (decrease) in compensated absences | 177,571 | - | 14,301 | 191,872 |
| Total adjustments | <u>834,241</u> | <u>36,234</u> | <u>22,480</u> | <u>892,955</u> |
| Net cash provided by (used for) operating activities | <u>\$ 2,265,114</u> | <u>\$ (9,857)</u> | <u>\$ 7,086</u> | <u>\$ 2,262,343</u> |

The accompanying notes are an integral part of this statement.

**NOTES TO THE PRIMARY GOVERNMENT
FINANCIAL STATEMENTS**

CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

INTRODUCTION

The City of Baker, Louisiana (hereafter referred to as the City) was originally governed by the provisions of the Lawarson Act, La. Revised Statute 33:321-481. The electorate adopted a Home Rule Charter on May 16, 1970, that would become effective on July 1, 1972. The Charter provided for a mayor-council form of government. The Council is elected to member districts. There are five council members, and they are compensated for their services.

The purpose of the municipality is to promote the general welfare and the safety, health, peace, good order, comfort, convenience and morals of its inhabitants.

The City is situated in the northwest part of the Parish of East Baton Rouge. It is approximately 8.5 square miles in size with a population of approximately 13,000 residents. Within the boundaries are approximately 225 miles of roads maintained by the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Baker have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Private Sector Standards of Accounting issued on or prior to November 30, 1989 generally are followed in both the government wide financial statements and the proprietary fund type financial statements as made applicable through GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

A. Financial Reporting Entity

The financial reporting entity consists of the primary government and organizations for which the primary government is financially accountable and a financial benefit/burden relationship exists.

Governmental accounting standards establishes the criteria for determining which component units should be considered part of the consolidated government for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit
2. Financial accountability
 - a. The primary government appoints a voting majority of the potential component units governing body and the primary government is able to impose its will on the potential component unit or
 - b. When a potential component unit is fiscally dependent on the primary government regardless of whether the organization has separately elected officials or boards.
3. Financial benefit/burden relationship between the City and the potential component unit.
4. Misleading to exclude due to the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

The Baker City Court (the Court) is a separate legal entity and governed by its own elected official but is considered a blended component unit. The Court has been reported in a special revenue fund in the accompanying financial statements.

CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide Financial Statements

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

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

C. Fund Financial Statements

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

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

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

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

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

The Half Cent Special Tax Fund accounts for the ½-cent sales tax dedicated to salaries and benefits of policemen and firemen.

**CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Financial Statements (continued)

The Street Maintenance/ Operations Fund accounts for the ½-cent sales tax dedicated to road repairs and maintenance.

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

The City reports the following major proprietary funds:

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

The Cemetery Fund accounts for the operations of the Hillcrest Cemetery.

The City Parish Sewer Revenue Fund accounts for the collection of fees and payment to the Parish of East Baton Rouge for the management of the City's sewer system.

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

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

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

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

**CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the City's investment policy allow the City to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

F. Activity Between Funds

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

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

G. Summary of Authorized Ad Valorem and Sales Taxes

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

The East Baton Rouge Parish Sheriff bills and collects the City's property taxes using the assessed values determined by the Tax Assessor of East Baton Rouge Parish. When the City receives the tax roll, a receivable is set up and revenue is recognized based on the assessed values to the extent available.

Sales taxes are recognized as revenue in the month of the underlying sale transaction. The City-Parish of East Baton Rouge has been contracted to collect and remit this tax to the City.

The following is a summary of authorized ad valorem taxes.

| Fund Type | Purpose | Mills | Expiration Date |
|-----------|-----------------|-------|-----------------|
| General | General purpose | 6.03 | Indefinite |

**CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The following is a summary of authorized sales taxes.

| Fund Type | Purpose | Percent | Expiration Date |
|-----------------|---|---------|-----------------|
| Special Revenue | Salaries of fire fighters, police, and other personnel and acquisition of public safety equipment | 0.50 | None* |
| Special Revenue | Street maintenance and construction | 0.50 | 12/31/2030 |
| General | General purpose | 2.00 | None |

*Voter approved proposition authorizes the City to levy tax. Council ordinance levied initially in 2001 for ten years.

H. Inventories and Prepaid Expenses

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

I. Restricted Assets

Certain proceeds for customer deposits, capital and merchandise, grants, street maintenance and constructions, and fire and police salaries and equipment are classified as restricted assets on the statement of net position because their use is limited.

Effective August 31, 1995, the Louisiana Cemetery Commission mandated that funds for pre-need sales be restricted in the amount of seventy percent of sales price, whichever is greater. These funds are held in a trust account at Whitney Bank.

J. Capital Assets

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

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

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

**CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Capital Assets (continued)

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

| <u>Description</u> | <u>Estimated Lives</u> |
|--------------------|------------------------|
| Buildings | 10-40 years |
| Equipment | 4-10 years |
| Office Furniture | 5-10 years |
| Vehicles | 3-20 years |
| Infrastructure | 40-50 years |

K. Compensated Absences

The City allows annual leave to regular full-time employees based on length of service. No leave is earned, however, while on suspension or leave without pay status. Annual leave may be carried over to the next calendar year at a maximum of one year's earned annual leave. Employees are not paid for their unused annual leave at year-end, but are paid for accumulated, unused leave upon termination.

Sick leave is earned by regular employees at the rate of one day per month, and it may be accumulated up to 360 working days. Employees may be paid for unused sick leave upon separation, provided that he/she is in good standing and a two-week notice is given.

Exceptions apply to police and fire department personnel. They are allowed to accumulate all vacation leave earned and have unlimited sick leave up to one year. Upon separation, they are paid for accumulated sick leave that had accumulated prior to June 30, 1994.

In the government-wide financial statements and the propriety fund types fund statements, the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis. In accordance with GASB Interpretation No.6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, (issued in March of 2000), no compensated absences liability is recorded at June 30, 2013, in the governmental fund financial statements. The liquidation of the compensated absence liabilities will be paid proportional to funds in which the compensation was paid, primarily the general and utility funds.

L. Fund Balance

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

**CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fund Balance (continued)

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

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

M. Net Position

The City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective fiscal year 2013. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period.

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

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

**CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position (continued)

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

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012 and is effective for fiscal years beginning after December 15, 2012. However, early implementation is permitted, and therefore, the City has chosen to implement this standard effective fiscal year 2013. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources, required by GASB Statement No. 63, as applied to the governmental fund statements. In addition to identifying which items should be reported in these new categories in proprietary fund, fiduciary fund, government-wide statements of net position and governmental fund balance sheets, GASB Statement No. 65 also identifies certain items previously reported as assets and liabilities that the GASB determined should be recognized as revenues, expenses, or expenditures when incurred and not reported in statements of net position/balance sheets.

N. Estimates

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- a. A letter of request is sent on or about April 1st to each department head requesting submission of operating budget agreement by May 1st and capital budget requests are due April 15th.
- b. The Mayor submits to the council a proposed operating budget at least forty-five days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and total anticipated revenues.
- c. At the meeting of the council at which the operating budget is submitted, the council orders a public hearing on it.

**CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

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

3. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2013, the City had cash (book balances) totaling \$11,317,411 consisting primarily of demand deposit accounts and certificates of deposits at local banks. These deposits were stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures" requires disclosure of custodial credit risk for bank deposits. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned. Under the state law, all deposits are required to be secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the City of Baker's name. At June 30, 2013, the City's bank balances amounted to \$10,255,940. Of the bank balances, \$1,000,000 was covered by federal depository insurance and the remaining balance was protected against custodial credit risk by collateral held by the pledging banks' trust department or agent in the City's name.

Investments:

Investments are limited by LA Revised State 33:2955. If the original maturities of investments exceed 90 days, including bank certificates of deposit they are classified as investments. Otherwise, they are classified as cash and cash equivalents. In accordance with GASB 31, investments are recorded at fair value with the corresponding increase or decrease reported in investments earnings.

The City entered into an Investment Management Agreement with Hancock Trust Division (now Whitney Bank) on June 9, 1999 with an initial investment of \$4,000,000. Of this amount, at least \$300,000 is to be maintained in a money market account at all times. The goals of the City are 1) safety of principal, 2) liquidity and 3) yield.

**CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City has no policy limiting concentration of credit risk. Investments exceeding more than 5% of the City's total debt security investment portfolio included those issued by FNMA (46.35%), FHLB (20.13%), FHLMC (23.95%), and the US Treasury (9.57%).

Credit Risk:

The City's investments include certificates of deposit in financial institutions chartered or having principal offices in Louisiana and US Treasury and US Agency securities. The certificates of deposit are secured by the pledge of securities owned by the financial institution issuing the certificate of deposit and are not subject to credit risk disclosures. The US Treasury and US Agency securities are rated AAA by Standard and Poor's.

Custodial Credit Risk:

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the City and are held by either the counterparty or the counterparty's trust department or agent, but not in the City name. The City was not exposed to custodial credit risk as of June 30, 2013. However, the City does not have a policy regarding custodial credit risk.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates in the general market will adversely affect the fair value of an investment. The holding period of an investment security can be an indicator of interest rate risk exposure. As of June 30, 2013, the City had the following investments in long-term debt securities and maturities:

| | <u>Fair Value</u> | <u>< 1 Year</u> | <u>1 - 5 Years</u> | <u>6 - 10 Years</u> |
|--------------------------------|---------------------|--------------------|---------------------|---------------------|
| FNMA | \$ 1,791,474 | \$ 45,409 | \$ 1,746,065 | \$ - |
| FHLB | 778,097 | 401,416 | 376,681 | - |
| FHLMC | 925,520 | 403,028 | 143,468 | 379,024 |
| US Treasury Notes | 80,249 | 60,261 | 19,988 | - |
| US Treasury Inflationary Index | 289,550 | - | - | 289,550 |
| Totals | \$ 3,864,890 | \$ 910,114 | \$ 2,286,202 | \$ 668,574 |

The System has no formal policy regarding interest rate risk.

CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Foreign Currency Risk

The System did not have any investments that are exposed to foreign currency risk.

4. ACCOUNTS RECEIVABLE

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

Accounts receivable at June 30, 2013 were as follows:

Governmental Activities:

| | <u>Sales Taxes</u> | <u>Service Fees and Other</u> | <u>Total</u> |
|----------------------------------|--------------------------|---------------------------------------|---------------------------|
| General Fund | \$ 554,983 | \$ 348,802 | \$ 903,785 |
| ½ Cent Sales Tax | 120,468 | - | 120,468 |
| Street Maintenance/ Construction | 78,380 | - | 78,380 |
| Non-Major Governmental Funds | - | 71,391 | 71,391 |
| Total | <u>\$ 753,831</u> | <u>\$ 420,193</u> | <u>\$1,174,024</u> |

Business-type Activities:

| | <u>Cemetery Accounts</u> | <u>Customer Utility Accounts</u> | <u>CP Sewer Accounts</u> | <u>Total</u> |
|---|------------------------------|--------------------------------------|------------------------------|-----------------------|
| Operating fund | \$ 31,593 | \$ 921,169 | \$ 54,821 | \$ 1,007,583 |
| Allowance for Uncollectible Accounts | - | (607,740) | - | (607,740) |
| Total | <u>31,593</u> | <u>313,429</u> | <u>54,821</u> | <u>399,843</u> |

CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. CAPITAL ASSETS

A. Governmental Activities

The following is a summary of the changes in capital assets for the year ended June 30, 2013:

| <u>Cost</u> | <u>Balance 6/30/2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/2013</u> |
|--|------------------------------|--------------------|------------------|------------------------------|
| Land | \$ 873,722 | \$ - | \$ - | \$ 873,722 |
| <u>Depreciable</u> | | | | |
| Buildings | 5,755,810 | - | - | 5,755,810 |
| Improvements | 2,724,038 | - | - | 2,724,038 |
| Streets/Bridges | 4,249,510 | - | - | 4,249,510 |
| Equipment | 2,340,806 | - | - | 2,340,806 |
| Vehicles | 3,760,875 | 165,814 | (53,944) | 3,872,745 |
| Furniture and equipment | 674,427 | - | - | 674,427 |
| | <u>19,505,466</u> | <u>165,814</u> | <u>(53,944)</u> | <u>19,617,336</u> |
| <u>Less: accumulated depreciation</u> | | | | |
| Buildings | (2,146,075) | (137,340) | - | (2,283,415) |
| Improvements | (2,667,104) | (27,000) | - | (2,694,104) |
| Streets/Bridges | (894,894) | (140,462) | - | (1,035,356) |
| Equipment | (1,845,550) | (153,821) | - | (1,999,371) |
| Vehicles | (2,674,433) | (346,523) | 53,944 | (2,967,012) |
| Furniture and equipment | (245,447) | (38,895) | - | (284,342) |
| | <u>(10,473,503)</u> | <u>(844,041)</u> | <u>53,944</u> | <u>(11,263,600)</u> |
| Net capital assets being depreciated | <u>9,031,963</u> | <u>(678,227)</u> | <u>-</u> | <u>8,353,736</u> |
| Total capital assets, net | <u>\$ 9,905,685</u> | <u>\$(678,227)</u> | <u>\$ -</u> | <u>\$ 9,227,458</u> |

Depreciation expense totaling \$844,041 for the year ended June 30, 2013 was charged to the general government function.

CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. CAPITAL ASSETS (continued)

B. Business-type Activities

The following is a summary of the changes in capital assets for the year ended June 30, 2013:

| <u>Cost</u> | <u>Balance 6/30/2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/2013</u> |
|--|------------------------------|--------------------------|------------------------|------------------------------|
| Land | \$ 373,572 | \$ - | \$ - | \$ 373,572 |
| <u>Depreciated</u> | | | | |
| Buildings | 272,921 | 389 | - | 273,310 |
| Utility Systems | 11,423,427 | 1,213,495 | (389) | 12,636,533 |
| Streets | 50,000 | - | - | 50,000 |
| Equipment | 1,742,341 | - | - | 1,742,341 |
| Vehicles | 484,817 | - | - | 484,817 |
| Furniture and equipment | 106,595 | - | - | 106,595 |
| | <u>14,080,101</u> | <u>1,213,884</u> | <u>(389)</u> | <u>15,293,596</u> |
| <u>Less: accumulated depreciation</u> | | | | |
| Buildings | (144,175) | (11,462) | - | (155,637) |
| Utility Systems | (5,533,720) | (310,332) | - | (5,844,052) |
| Streets | (43,610) | (1,667) | - | (45,277) |
| Equipment | (1,506,215) | (43,804) | - | (1,550,019) |
| Vehicles | (449,875) | (13,103) | - | (462,978) |
| Furniture and equipment | (104,486) | (505) | - | (104,991) |
| | <u>(7,782,081)</u> | <u>(380,873)</u> | <u>-</u> | <u>(8,162,954)</u> |
| Net capital assets being depreciated | <u>6,298,020</u> | <u>833,011</u> | <u>(389)</u> | <u>7,130,642</u> |
| Total capital assets, net | <u>\$ 6,671,592</u> | <u>\$ 833,011</u> | <u>\$ (389)</u> | <u>\$ 7,504,214</u> |

6. INTERFUND BALANCES

From time to time, cash may be borrowed between funds or costs may be fronted by one fund for another fund resulting in interfund balances. The amounts are not expected to be repaid within one year as they depend on the timing of receipts in other funds. The following inter-fund balances exist at June 30, 2013.

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|-----------------------------------|---------------------------------|-------------------------------|
| <u>Governmental Funds:</u> | | |
| General Fund | \$ 516,799 | \$ - |
| Half Cent Special Tax Fund | 198,722 | 589,408 |
| Non-major governmental funds | 93,328 | 208,050 |
| | <u>\$ 808,849</u> | <u>\$ 797,458</u> |

CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

7. INTERFUND TRANSFERS

Transfers between funds occur to provide reimbursement of certain operating costs and are not expected to be repaid. Transfers between funds during 2013 occurred as follows:

| <u>Governmental Funds:</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| General Fund | \$ 15,939 | \$ 1,191,634 |
| Half Cent Special Tax Fund | 1,041,634 | - |
| Non-major governmental funds | 145,861 | - |
| | <u>\$ 1,203,434</u> | <u>\$ 1,191,634</u> |

8. ON-BEHALF PAYMENTS FOR SALARIES

The State of Louisiana sends a check monthly for approximately \$500 directly to each individual fireman and policeman that is qualified and has been employed by the City for at least one year. Policemen received approximately \$168,000 and the firemen received approximately \$120,000 in 2013. The total payments of approximately \$288,000 have been included in the fund financial statements in intergovernmental revenue and public safety expenditures.

9. GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS

a. Activities

Long-term liability activity of governmental activities for the year ended June 30, 2013 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|------------------------------|------------------------------|--------------------|--------------------|---------------------------|--|
| Bonds Payable | \$ 211,000 | \$ - | \$(211,000) | \$ - | \$ - |
| Net Post Employment Benefits | 431,536 | 701,737 | (226,258) | 906,915 | - |
| Compensated Absences | 639,005 | 423,448 | (453,553) | 608,900 | 429,169 |
| Claims and Judgments | 75,000 | - | - | 75,000 | - |
| | <u>\$1,356,541</u> | <u>\$1,125,185</u> | <u>\$(890,811)</u> | <u>\$1,590,815</u> | <u>\$ 429,169</u> |

**CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

10. BUSINESS-TYPE ACTIVITIES LONG-TERM OBLIGATIONS

a. Activity

Long-term debt activity of business-type activities for the year ended June 30, 2013 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|----------------------|------------------------------|-------------------|----------------------|---------------------------|--|
| Bonds Payable | \$ 2,496,299 | \$ 604,701 | \$(1,117,000) | \$ 1,984,000 | \$ - |
| Compensated Absences | 63,950 | 267,396 | (75,434) | 255,912 | 87,081 |
| Merchandise Payable | 530,691 | 36,400 | (13,666) | 553,425 | - |
| | <u>\$ 3,090,940</u> | <u>\$ 908,497</u> | <u>\$(1,206,100)</u> | <u>\$ 2,793,337</u> | <u>\$ 87,081</u> |

b. Bonds Payable

In November 2009, the City authorized the issuance of Water Revenue Bonds to finance the costs of constructing, acquiring improvements, and/or extension or replacements to the existing water system. The net revenues related to water operations are pledged in an amount sufficient for the payment of principal and interest as they become due and payable.

The City entered into an agreement with the Louisiana Department of Health and Hospitals (the Department) as part of the Build America Bonds Program whereby the Department has committed to loan the City up to \$4,200,000 to fund construction of a water meter system (project). The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the City will be evidenced through the Series 2010A and 2010B Water Revenue Bonds in the amounts of \$2,000,000 and \$2,200,000, respectively.

These bonds will mature in 20 principal installments, payable annually on each January 1 beginning in 2012. Each annual installment due is based upon a pre-determined percentage of the ultimate amount of the borrowing that is not forgivable (see forgiveness provisions in the following paragraph). Interest on the bonds is incurred at the rate of 2.95% and payment thereof began January 1, 2012 and continues to occur semi-annually thereafter.

The 2010A series bonds are to be funded with amounts provided under the American Recovery and Reinvestment Act (ARRA). One half of the 2010A bond funds advanced to the City is forgivable as a debt upon advancement. The City received advances of 2010A bond funds of \$1,213,495 during fiscal year 2012 and \$608,794 has been forgiven.

The City is required to create reserve accounts and maintain minimum balances. As of June 30, 2013, the City had not created such accounts and therefore, had not maintained the required minimum balances.

CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

b. Bonds Payable (continued)

Bonds outstanding were as follows at June 30, 2013:

| | Date of Issue | Original/Notional Balance | Ending Balance |
|---|------------------|------------------------------|---------------------|
| Water Revenue Bonds, Series 2010A, 2.95% | 1/15/2010 | \$ 2,200,000 | \$ 1,024,000 |
| Water Revenue Bonds, Series 2010B, 2.95% | 1/15/2010 | 2,000,000 | 960,000 |
| | | <u>\$ 4,200,000</u> | <u>\$ 1,984,000</u> |

A schedule of annual debt service requirements for the 2010 B bonds has not been established since advances on the bonds are still occurring and therefore the total debt to be repaid has not been determined. A schedule of debt service requirements for the 2010A bonds is as follows:

| Year Ending 06/30 | Water Revenue Bond, Series 2010A | | |
|----------------------|----------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2014 | \$ 46,000 | \$ 29,530 | \$ 75,530 |
| 2015 | 47,000 | 28,158 | 75,158 |
| 2016 | 48,000 | 26,756 | 74,756 |
| 2017 | 50,000 | 25,311 | 75,311 |
| 2018 | 51,000 | 23,822 | 74,822 |
| 2019 - 2024 | 331,000 | 109,845 | 440,845 |
| 2025 - 2029 | 314,000 | 43,807 | 357,807 |
| 2030 - 2031 | 137,000 | 4,057 | 141,057 |
| | <u>\$ 1,024,000</u> | <u>\$ 291,286</u> | <u>\$ 1,315,286</u> |

11. SEGMENTS OF ENTERPRISE ACTIVITIES

Gas, water, and sewage services are provided by the City and are financed by user chargers. The significant financial data for the year ended June 30, 2013, for the services are as follows:

| | Gas | Water | Sewer | Administrative | Total |
|------------------------|-------------------|---------------------|-------------------|---------------------|---------------------|
| Operating revenues | \$ 2,166,345 | \$ 2,071,326 | \$ 988,797 | \$ 5,462 | \$ 5,231,930 |
| Operating expenses | (1,317,945) | (795,129) | (175,002) | (246,968) | (2,535,044) |
| Depreciation | (76,999) | (216,375) | (45,622) | (34,795) | (373,791) |
| Change in net position | <u>\$ 771,401</u> | <u>\$ 1,059,822</u> | <u>\$ 768,173</u> | <u>\$ (276,301)</u> | <u>\$ 2,323,095</u> |

**CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

12. PENSION PLANS

a. Municipal Employees Retirement System of Louisiana (MERS)

Plan description: All of the City's full-time employees who are not covered by another pension plan and are wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the MERS, a cost sharing, multiple-employer, defined benefit pension plan administered by a separate Board of Trustees. MERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Employees' Retirement System, 7939 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or by calling (225) 925-4810.

Funding policy: Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary to the System, and the City is required to make contributions at an actuarially determined rate. The rate paid by the City during the 2013 fiscal year was 18.75 percent of covered payroll. The contribution requirements of plan members and the City of Baker are established and amended by state statute.

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MERS during the years ended June 30, 2013, 2012, and 2011 totaled \$384,848, \$320,695, and \$298,637, respectively.

b. Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan description: All of the City's full-time police employees participate in the MPERS, a cost sharing, multiple-employer, defined benefit pension plan administered by a separate Board of Trustees. MPERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana, 70809, or by calling (225) 929-7411.

Funding policy: Plan members are required by state statute to contribute 7.5 – 10 percent of their annual covered salary to the System, and the City is required to make contributions at an actuarially determined rate. The rate paid by the City during the 2013 was 26.5 percent of covered payroll for the first six months and 31 percent for the second six months. The contribution requirements of plan members and the City of Baker are established and amended by state statute.

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MPERS during the years ended June 30, 2013, 2012, and 2011 totaled \$377,157, \$384,761, and \$362,418, respectively.

**CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

12. PENSION PLANS (continued)

c. Firefighters' Retirement System (FRS)

Plan description: All of the City's full time fire employees participate in the FRS, a cost sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. FRS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana, 70806, or by calling (225) 925-4060.

Funding policy: Plan members are required by state statute to contribute 8 – 10 percent of their salary to the system, and the City is required to make contributions at an actuarially determined rate. The rate paid by the City during the 2013 was 23.25 – 25.25 percent of covered payroll for the first six months and 24 – 26 percent for the second six months. The contribution requirements of the plan members and the employer are established by, and may be amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Baker's contributions to the FRS during the years ended June 30, 2013, 2012, and 2011 totaled \$169,947, \$231,871 and \$226,517, respectively.

13. RISK MANAGEMENT

Litigation and General Liability

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City attempts to minimize risk from significant losses through the purchase of insurance through a public entity risk pool of Louisiana local governments. Losses in excess of this coverage or those not covered are not expected to materially impact the City.

14. COMPENSATION PAID TO CITY COUNCIL AND MAYOR

| <u>Name</u> | <u>Title</u> | <u>Amount</u> |
|-----------------|---------------------------|-------------------|
| Harold Rideau | Mayor | \$ 76,677 |
| Michael Knaps | Chief of Police | 91,401 |
| Charles Vincent | City Council – District 1 | 12,600 |
| Norman E. Heine | City Council – District 2 | 12,600 |
| Joyce Burges | City Council – District 3 | 12,600 |
| Robert Young | City Council – District 4 | 12,600 |
| John Givens | City Council – District 5 | 12,600 |
| | | <u>\$ 231,078</u> |

**CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

15. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City of Baker's medical/dental benefits are provided to employees upon actual retirement. The employer pays 100% of the medical coverage for the retiree and dependents. Employees are covered by a retirement system whose retirement eligibility provisions are as follows: age 60 and 10 years of service or, if earlier, twenty-five (25) years of service at any age.

Contribution Rates

Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy

Until 2011, the City of Baker recognized the cost of providing post-employment medical benefits (the City of Baker's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2013, the City of Baker's portion of health care premiums funding cost for retired employees totaled \$226,258.

Effective July 1, 2011, the City of Baker implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution

City of Baker's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Statement No. 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Statements No. 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

| | <u>2013</u> | <u>2012</u> |
|------------------------------------|-------------------|-------------------|
| Normal Cost | \$ 198,200 | \$ 190,577 |
| 30-year UAL amortization amount | <u>511,132</u> | <u>491,473</u> |
| Annual required contribution (ARC) | <u>\$ 709,332</u> | <u>\$ 682,050</u> |

CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

15. OTHER POST EMPLOYMENT BENEFITS (continued)

Post-employment Benefit Obligation

The table below shows City of Baker's Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending June 30:

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|------------------|-------------------|
| Annual required contribution | \$ 709,332 | \$ 682,050 |
| Interest on Net OPEB Obligation | 17,261 | - |
| ARC Adjustment | <u>(24,956)</u> | <u>-</u> |
| OPEB Cost | 701,637 | 682,050 |
| Contributions | - | - |
| Current year retiree premium paid | <u>(226,258)</u> | <u>(250,514)</u> |
| Change in Net OPEB Obligation | 475,379 | 431,536 |
| Beginning Net OPEB Obligation | <u>431,536</u> | <u>-</u> |
| Ending Net OPEB Obligation | <u>\$906,915</u> | <u>\$ 431,536</u> |

The following table shows City of Baker's annual post employment benefits cost, percentage of the cost contributed and the net unfunded post employment benefits liability (asset) for this year and last year.

| <u>Fiscal Year</u> <u>Ended</u> | <u>Annual</u> <u>OPEB Cost</u> | <u>Percentage of</u> <u>Annual Cost</u> <u>Contributed</u> | <u>Net OPEB</u> <u>Obligation</u> <u>(Asset)</u> |
|------------------------------------|-----------------------------------|--|--|
| June 30, 2013 | \$ 701,637 | 32.24% | \$ 906,915 |
| June 30, 2012 | \$ 682,050 | 36.73% | \$ 431,536 |

Funded Status and Funding Progress

In the fiscal years ending June 30, 2013, the City of Baker made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. Based on the July 1, 2011 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2013 was \$8,838,538 which is defined as that portion, as determined by a particular actuarial cost method (the City of Baker uses the Projected Unit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

Key financial indicators of the plan include:

| | |
|---|--------------|
| Actuarial Accrued Liability (AAL) | \$ 8,838,538 |
| Actuarial Value of Plan Assets | - |
| Unfunded Act. Accr. Liability (UAAL) | 8,838,538 |
| Funded Ratio (Act. Val. Assets/AAL) | 0.00% |
| Covered Payroll (active plan members) | \$ 4,394,254 |
| UAAL as a percentage of covered payroll | 201.11% |

CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

15. OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by City of Baker and its employee plan members) at the time of the valuation and on the pattern of sharing costs between City of Baker and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between City of Baker and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets

Since the City has not segregated funds into an irrevocable trust for the payment of benefits, there are no plan assets and thus the plan is not "funded". It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement No. 45 will be used.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10%.

Post Employment Benefit Plan Eligibility Requirements

Based on prior historical experience, we have assumed that employees retire four years after the earliest eligibility. The four year delay covers three years of D.R.O.P. plus one additional year. Medical benefits are provided to employees upon actual retirement. Employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service or, if earlier, twenty-five (25) years of service at any age.

CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

15. OTHER POST EMPLOYMENT BENEFITS (continued)

Investment Return Assumption (Discount Rate)

GASB Statement No. 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on projections performed by the Office of Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans. Since GASB Statement No. 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance.

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 70% of the "cost" of medical and dental benefits for the retirees and dependents. However, the medical rates provided are "blended" rates for active and retired prior to Medicare eligibility. We have therefore estimated the "unblended" rates as required by GASB Statement No. 45 for valuation purposes to be 130% of the blended rates prior to Medicare eligibility. Rates after Medicare eligibility were unblended as required.

Inflation Rate

Included in both Investment Return Assumption and Healthcare Cost Trend rates are above an implicit inflation assumption of 2.5% annually.

Projected Salary Increases

This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

15. OTHER POST EMPLOYMENT BENEFITS (continued)

Post-retirement Benefit Increases

The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

16. RESTATEMENT OF NET POSITION/FUND BALANCE

Net position and fund balance have been restated as of June 30, 2012 as follows:

| | Governmental Activities | Business-Type Activities | Total |
|---|-----------------------------|-----------------------------|-----------------------------|
| Net position, at June 30, 2012, as previously reported | \$ 18,943,875 | \$ 8,571,518 | \$ 27,515,393 |
| Total Adjustments | <u>\$ (393,687)</u> | <u>\$ (390,042)</u> | <u>\$ (783,729)</u> |
| Net position, at June 30, 2012, as restated | <u>\$ 18,550,188</u> | <u>\$ 8,181,476</u> | <u>\$ 26,731,664</u> |

| | General Fund | Non-Major Funds | Total |
|---|------------------------------|----------------------------|----------------------------|
| Fund balance, at June 30, 2012, as previously reported | \$ 4,967,404 | \$ 636,573 | \$ 5,603,977 |
| Total Adjustments | <u>\$ (1,834,209)</u> | <u>\$ 1,334,818</u> | <u>\$ (499,391)</u> |
| Fund balance, at June 30, 2012, as restated | <u>3,133,195</u> | <u>\$ 1,971,391</u> | <u>\$ 5,104,586</u> |

For the general fund, fund balance was restated to reflect the break out of several non-major special revenue funds, the removal of accounts under control of the City Court, accounts receivable adjustments, and other adjustments.

In addition the City did not report the transactions of the Marshall's Special Revenue Fund with a fund balance of \$165,851 at June 30, 2012. The City Court's fund balance was restated to reflect all assets it controls, some of which were previously reported in the City's general fund.

CITY OF BAKER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

16. RESTATEMENT OF NET POSITION/FUND BALANCE

The Utility Fund's net position was restated to reflect adjustments related to the following:

| | |
|--------------------------------------|-----------------------|
| Bond principal | \$ 225,482 |
| Accrued expenses | (33,170) |
| Allowance for uncollectible accounts | <u>(582,354)</u> |
| Total Adjustments | <u>\$ 390,042</u> |

17. COMMITMENTS

The City is committed under contracts totaling approximately \$1,200,000 as of June 30, 2013 for gas line replacement. Work began in earnest on this project subsequent to June 30, 2013. The project is to be funded through \$600,000 of grant proceeds and \$750,000 of budgeted outlay from the City's Utility Fund.

18. SUBSEQUENT EVENTS

Management of the City has evaluated subsequent events through the date that the financial statements were available to be issued, January 15, 2014, and determined that there were no subsequent events other than commencement of the aforementioned projects that require disclosure.

**Required Supplemental
Information**

CITY OF BAKER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| Revenues: | | | | |
| Intergovernmental | \$ 54,830 | \$ 54,830 | \$ 493,140 | \$ 438,310 |
| Taxes | 4,290,000 | 4,290,000 | 4,396,043 | 106,043 |
| Licenses and permits | 388,500 | 388,500 | 490,234 | 101,734 |
| Charges for services | 1,712,500 | 1,712,500 | 1,815,993 | 103,493 |
| Fines | 272,000 | 272,000 | 255,642 | (16,358) |
| Interest | 50,000 | 50,000 | 39,147 | (10,853) |
| Other revenues | 111,744 | 93,408 | 192,086 | 98,678 |
| Total revenues | <u>6,879,574</u> | <u>6,861,238</u> | <u>7,682,285</u> | <u>821,047</u> |
| Expenditures: | | | | |
| General government | 2,789,492 | 3,021,831 | 2,579,296 | 442,535 |
| Public safety | 3,204,301 | 3,251,855 | 3,134,624 | 117,231 |
| Public works | 2,190,632 | 2,190,632 | 1,857,694 | 332,938 |
| Debt - principal | - | - | 211,000 | (211,000) |
| Debt - interest | - | - | 4,030 | (4,030) |
| Capital outlay | - | - | 182,094 | (182,094) |
| Total expenditures | <u>8,184,425</u> | <u>8,464,318</u> | <u>7,968,738</u> | <u>495,580</u> |
| Deficiency of revenues over expenditures | <u>(1,304,851)</u> | <u>(1,603,080)</u> | <u>(286,453)</u> | <u>1,316,627</u> |
| Other financing sources (uses): | | | | |
| Transfers to other funds | - | - | (1,191,634) | (1,191,634) |
| Transfers from other funds | - | - | 15,939 | 15,939 |
| | <u>-</u> | <u>-</u> | <u>(1,175,695)</u> | <u>140,932</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | <u>(1,304,851)</u> | <u>(1,603,080)</u> | <u>(1,462,148)</u> | <u>1,457,559</u> |
| Fund balance (deficit), beginning | <u>-</u> | <u>-</u> | <u>3,133,195</u> | <u>3,133,195</u> |
| Fund balance (deficit), ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,671,047</u> | <u>\$ 1,671,047</u> |

See accompanying independent auditors' report.

CITY OF BAKER
BUDGETARY COMPARISON SCHEDULE
HALF CENT SPECIAL TAX FUND
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|------------------|---|
| Revenues: | | | | |
| Sales Taxes | \$ 737,335 | \$ 737,335 | \$ 812,047 | \$ 74,712 |
| Other revenues | - | - | 7,047 | 7,047 |
| Total revenues | <u>737,335</u> | <u>737,335</u> | <u>819,094</u> | <u>81,759</u> |
| Expenditures: | | | | |
| Public Safety | 1,389,317 | 1,389,317 | 1,480,386 | (91,069) |
| Total expenditures | <u>1,389,317</u> | <u>1,389,317</u> | <u>1,480,386</u> | <u>(91,069)</u> |
| Excess of revenues over expenditures | (651,982) | (651,982) | (661,292) | (9,310) |
| Other financing uses: | | | | |
| Transfers from other funds | 653,000 | 653,000 | 1,041,634 | 388,634 |
| | <u>653,000</u> | <u>653,000</u> | <u>1,041,634</u> | <u>388,634</u> |
| Excess of revenues and other sources over expenditures and other uses | <u>1,018</u> | <u>1,018</u> | <u>380,342</u> | <u>379,324</u> |
| Fund balance, beginning | <u>-</u> | <u>-</u> | <u>(324,299)</u> | <u>(324,299)</u> |
| Fund balance, ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 56,043</u> | <u>\$ 56,043</u> |

See accompanying independent auditors' report.

CITY OF BAKER
BUDGETARY COMPARISON SCHEDULE
STREET MAINTENANCE/CONSTRUCTION FUND
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues: | | | | |
| Sales Taxes | \$ 505,000 | \$ 505,000 | \$ 640,731 | \$ 135,731 |
| Interest earned | - | - | (41,557) | (41,557) |
| Total revenues | <u>505,000</u> | <u>505,000</u> | <u>599,174</u> | <u>94,174</u> |
| Expenditures: | | | | |
| Public Works | 280,000 | 280,000 | 118,555 | 161,445 |
| Total expenditures | <u>280,000</u> | <u>280,000</u> | <u>118,555</u> | <u>161,445</u> |
| Excess of revenues over expenditures | 225,000 | 225,000 | 480,619 | 255,619 |
| Other financing uses: | | | | |
| Transfers to other funds | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues and other sources over expenditures and other uses | <u>225,000</u> | <u>225,000</u> | <u>480,619</u> | <u>255,619</u> |
| Fund balance, beginning | <u>1,654,559</u> | <u>1,654,559</u> | <u>4,948,777</u> | <u>3,294,218</u> |
| Fund balance, ending | <u>\$ 1,879,559</u> | <u>\$ 1,879,559</u> | <u>\$ 5,429,396</u> | <u>\$ 3,549,837</u> |

See accompanying independent auditors' report.

CITY OF BAKER
SCHEDULE OF REVENUES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)

| | Original Budget | Final Budget | Actual | Variance - Favorable (Unfavorable) |
|---------------------------------------|---------------------|---------------------|---------------------|--|
| Intergovernmental: | | | | |
| Street maintenance (City Parish) | 44,200 | 44,200 | 65,880 | 21,680 |
| Weed cutting (DOTD) | 10,630 | 10,630 | 21,260 | 10,630 |
| On behalf payments - supplemental pay | - | - | 288,000 | 288,000 |
| Grant proceeds/FEMA reimbursement | - | - | 118,000 | 118,000 |
| Total intergovernmental | 54,830 | 54,830 | 493,140 | 438,310 |
| Taxes: | | | | |
| Sales | 3,192,000 | 3,192,000 | 3,136,333 | (55,667) |
| Franchise | 520,000 | 520,000 | 656,157 | 136,157 |
| Property | 370,000 | 370,000 | 365,179 | (4,821) |
| Industrial | 60,000 | 60,000 | 73,777 | 13,777 |
| Video bingo | 75,000 | 75,000 | 79,199 | 4,199 |
| Firemen's | 51,000 | 51,000 | 62,902 | 11,902 |
| Chain store | 12,000 | 12,000 | 12,555 | 555 |
| Beer | 10,000 | 10,000 | 9,941 | (59) |
| Total taxes | 4,290,000 | 4,290,000 | 4,396,043 | 106,043 |
| Licenses and permits: | | | | |
| Insurance licenses | 185,000 | 185,000 | 283,165 | 98,165 |
| Business licenses | 180,000 | 180,000 | 180,031 | 31 |
| Building permits | 5,000 | 5,000 | 11,947 | 6,947 |
| Plumbing licenses | 5,500 | 5,500 | 4,030 | (1,470) |
| Plumbing permits | 3,000 | 3,000 | 2,494 | (506) |
| Electrical permits | 2,500 | 2,500 | 2,517 | 17 |
| Electrical licenses | 4,000 | 4,000 | 2,000 | (2,000) |
| Beer permits | 3,500 | 3,500 | 4,050 | 550 |
| Total licenses and permits | 388,500 | 388,500 | 490,234 | 101,734 |
| Charges for Services | | | | |
| Garbage collection | 1,250,000 | 1,250,000 | 1,295,235 | 45,235 |
| Public safety | 65,000 | 65,000 | 112,200 | 47,200 |
| Civic Center fees | 43,000 | 43,000 | 39,100 | (3,900) |
| Rent - utility | 302,480 | 302,480 | 302,480 | - |
| Rent - City property | 30,000 | 30,000 | 26,868 | (3,132) |
| Police reports/fingerprinting/fines | 3,500 | 3,500 | 3,750 | 250 |
| Rent - sewer | 18,520 | 18,520 | 18,520 | - |
| Inspection fees | - | - | 16,780 | 16,780 |
| Other fees | - | - | 1,060 | 1,060 |
| Total charges for services | 1,712,500 | 1,712,500 | 1,815,993 | 103,493 |
| Fines | | | | |
| City court/prosecutor fees | 272,000 | 272,000 | 255,642 | (16,358) |
| Interest | | | | |
| Interest earned | 50,000 | 50,000 | 39,147 | (10,853) |
| Other Revenues | | | | |
| Other revenues | 98,544 | 80,208 | 156,124 | 75,916 |
| Donations | - | - | 18,850 | 18,850 |
| Inspection fees | 13,000 | 13,000 | 16,780 | 3,780 |
| Vending machine commissions | 200 | 200 | 332 | 132 |
| Total other revenues | \$ 111,744 | \$ 93,408 | \$ 192,086 | \$ 98,678 |
| TOTAL REVENUES | \$ 6,879,574 | \$ 6,861,238 | \$ 7,682,285 | \$ 821,047 |

See accompanying independent auditors' report.

(concluded)

CITY OF BAKER
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013
(UNAUDITED)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|---------------------------------|----------------------------|-------------------------|---------------------|---|
| General Government: | | | | |
| <i>General Government:</i> | | | | |
| Administrative | \$ 942,530 | \$ 994,540 | 983,129 | \$ 11,411 |
| Building and grounds | 565,681 | 575,031 | 372,430 | 202,601 |
| Buffalo festival | 49,050 | 49,050 | 22,615 | 26,435 |
| Central garage | 132,181 | 132,181 | 118,455 | 13,726 |
| Central stores | 83,493 | 83,493 | 82,941 | 552 |
| Economic development | 169,500 | 176,700 | 62,766 | 113,934 |
| Finance | 155,017 | 155,017 | 157,229 | (2,212) |
| Flag project | 3,375 | 3,375 | - | 3,375 |
| Heritage museum | 75,300 | 75,714 | 57,895 | 17,819 |
| Inspection | 137,779 | 137,779 | 120,005 | 17,774 |
| Judicial system | 401,210 | 560,975 | 526,694 | 34,281 |
| Personnel | 73,376 | 73,376 | 72,437 | 939 |
| Veterans Memorial | 1,000 | 4,600 | 2,700 | 1,900 |
| <i>Total General Government</i> | <u>2,789,492</u> | <u>3,021,831</u> | <u>2,579,296</u> | <u>442,535</u> |
| <i>Public Safety:</i> | | | | |
| Fire | 1,483,938 | 1,511,492 | 1,628,008 | (116,516) |
| Police | 1,708,983 | 1,728,983 | 1,714,437 | 14,546 |
| Fire/Police Civil Service | 11,380 | 11,380 | 7,209 | 4,171 |
| <i>Total Public Safety</i> | <u>3,204,301</u> | <u>3,251,855</u> | <u>3,349,654</u> | <u>(97,799)</u> |
| <i>Public Works:</i> | | | | |
| Public works | 2,190,632 | 2,190,632 | 1,857,694 | 332,938 |
| <i>Total Public Works</i> | <u>2,190,632</u> | <u>2,190,632</u> | <u>1,857,694</u> | <u>332,938</u> |
| Capital outlay | - | - | 182,094 | (182,094) |
| TOTAL EXPENDITURES | <u>\$ 8,184,425</u> | <u>\$ 8,464,318</u> | <u>\$ 7,968,738</u> | <u>\$ 495,580</u> |

See accompanying independent auditors' report.

(concluded)

CITY OF BAKER
BAKER, LOUISIANA

OTHER POST EMPLOYMENT BENEFITS PLAN
RETIREE HEALTH AND LIFE INSURANCE PROGRAMS
YEAR ENDED JUNE 30, 2013

SCHEDULE OF FUNDING PROGRESS

| <u>Fiscal Year</u> <u>Ending</u> | <u>Actuarial</u> <u>Valuation Date</u> | <u>Actuarial Value</u> <u>of Assets</u> <u>(a)</u> | <u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u> <u>(b)</u> | <u>Unfunded AAL</u> <u>(UAAL)</u> <u>(b-a)</u> | <u>Funded Ratio</u> <u>(a/b)</u> | <u>Covered Payroll</u> <u>(c)</u> | <u>UAAL as a</u> <u>Percentage of</u> <u>Covered Payroll</u> <u>((b-a)/c)</u> |
|-------------------------------------|---|--|--|--|-------------------------------------|--------------------------------------|--|
| 06/30/13 | 07/01/12 | \$ - | \$ 8,838,538 | \$ 8,838,538 | 0.00% | \$ 4,394,254 | 201% |
| 06/30/12 | 07/01/11 | - | 8,498,594 | 8,498,594 | 0.00% | 4,394,254 | 193% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| <u>Fiscal Year</u> <u>Ending</u> | <u>Annual OPEB</u> <u>Cost</u> | <u>Amount</u> <u>Contributed</u> | <u>Percentage of</u> <u>Annual OPEB</u> <u>Costs</u> <u>Contributed</u> | <u>Increase</u> <u>(Decrease) to</u> <u>Net OPEB</u> <u>Obligation</u> | <u>Net OPEB</u> <u>Obligation</u> |
|-------------------------------------|-----------------------------------|-------------------------------------|--|---|--------------------------------------|
| 06/30/13 | \$ 701,637 | \$ 226,258 | 32.25% | \$ 475,379 | \$ 906,915 |
| 06/30/12 | 682,050 | 250,514 | 36.73% | 431,536 | 431,536 |

**Other Supplemental Information
Non-Major Governmental Funds**

CITY OF BAKER
COMBINING BALANCE SHEET
OTHER NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

Special Revenue Funds

| | Drivers License Building Fund | Accrued Absence Fund | Bond Sinking Fund | Code Enforcement Officer Reimbursement Fund | FEMA Gustav Recovery Fund | Mobile Fire Training Fund | Traffic Division Fund |
|--|--|---------------------------------|------------------------------|--|--------------------------------------|--------------------------------------|----------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 101,845 | \$ 39,059 | \$ 23 | \$ 9,137 | \$ 794 | \$ 8,504 | \$ 998,388 |
| Investments | 196,305 | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | - |
| Due from other government agencies | - | - | - | - | - | - | - |
| Receivables: | | | | | | | |
| Accounts | 5,688 | - | - | 2,250 | - | - | 63,453 |
| Taxes | - | - | - | - | - | - | - |
| Prepaid Expenses | - | - | - | - | - | - | - |
| Fixed Assets | - | - | - | - | - | - | - |
| Restricted assets: | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - | - |
| Investments | - | - | - | - | - | - | - |
| TOTAL ASSETS | 303,838 | 39,059 | 23 | 11,387 | 794 | 8,504 | 1,061,841 |
| LIABILITIES | | | | | | | |
| Accounts payable | - | - | - | - | - | - | - |
| Other payables | - | 961 | - | - | - | 133 | 171 |
| Due to other funds | - | - | - | - | - | - | 52,112 |
| Due to other governmental agencies | - | - | - | - | - | - | - |
| TOTAL LIABILITIES | - | 961 | - | - | - | 133 | 52,283 |
| FUND BALANCES | | | | | | | |
| Restricted | - | - | 23 | 11,387 | 794 | - | - |
| Committed | - | - | - | - | - | - | 1,009,558 |
| Assigned | 303,838 | 38,098 | - | - | - | 8,371 | - |
| Unassigned | - | - | - | - | - | - | - |
| TOTAL FUND BALANCES | 303,838 | 38,098 | 23 | 11,387 | 794 | 8,371 | 1,009,558 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 303,838 | \$ 39,059 | \$ 23 | \$ 11,387 | \$ 794 | \$ 8,504 | \$ 1,061,841 |

(continued)

See accompanying independent auditors' report.

CITY OF BAKER
COMBINING BALANCE SHEET
OTHER NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

| | <u>Special Revenue Funds</u> | | | | | | | Total Non-Major Governmental Funds |
|--|-------------------------------|--------------------------|-------------------|---------------------|---------------------|--------------------------|---------------------------|--|
| | 911 Communications Fund | Supplemental Pay Fund | Grant | Project Acquisition | City Court | Marshall Account Fund | Fire District One Fund | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 317,529 | \$ 32,632 | \$ 137,994 | \$ 443 | \$ 998,756 | \$ 324,807 | \$ 131,509 | \$ 3,101,420 |
| Investments | - | - | - | - | 117,041 | - | - | 313,346 |
| Inventory | - | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | 93,328 | - | - | - | 93,328 |
| Due from other government agencies | - | - | - | - | - | - | - | - |
| Receivables: | | | | | | | | |
| Accounts | - | - | - | - | - | - | - | 71,391 |
| Taxes | - | - | - | - | - | - | - | - |
| Prepaid Expenses | - | - | - | - | - | - | - | - |
| Fixed Assets | - | - | - | - | - | - | - | - |
| Restricted assets | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - | - | - |
| Investments | - | - | - | - | - | - | - | - |
| TOTAL ASSETS | 317,529 | 32,632 | 137,994 | 93,771 | 1,115,797 | 324,807 | 131,509 | 3,579,485 |
| LIABILITIES | | | | | | | | |
| Accounts payable | 6,228 | - | - | 93,328 | 39,679 | - | 17,062 | 156,297 |
| Other payables | 61 | - | - | - | 7,517 | - | - | 8,843 |
| Due to other funds | - | - | 155,317 | - | 621 | - | - | 208,050 |
| Due to other governmental agencies | - | - | - | - | 81,515 | 31,167 | - | 112,682 |
| Deferred revenue | - | - | - | - | - | - | - | - |
| TOTAL LIABILITIES | 6,289 | - | 155,317 | 93,328 | 129,332 | 31,167 | 17,062 | 485,872 |
| FUND BALANCES | | | | | | | | |
| Restricted | - | 32,632 | - | - | 986,465 | 293,640 | - | 1,324,941 |
| Committed | 311,240 | - | - | 443 | - | - | - | 1,321,241 |
| Assigned | - | - | - | - | - | - | 114,447 | 464,754 |
| Unassigned | - | - | (17,323) | - | - | - | - | (17,323) |
| TOTAL FUND BALANCES | 311,240 | 32,632 | (17,323) | 443 | 986,465 | 293,640 | 114,447 | 3,093,613 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 317,529 | \$ 32,632 | \$ 137,994 | \$ 93,771 | \$ 1,115,797 | \$ 324,807 | \$ 131,509 | \$ 3,579,485 |

See accompanying independent auditors' report.

(concluded)

CITY OF BAKER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Special Revenue Funds

| | Drives License Building Fund | Accrued Absence Fund | Bond Sinking Fund | Code Enforcement Officer Reimbursement Fund | FEMA Gustav Recovery Fund | Mobile Fire Training Fund | Traffic Division Fund |
|---|---|---------------------------------|------------------------------|--|--|--------------------------------------|----------------------------------|
| Revenues: | | | | | | | |
| Charges for services | \$ 69,774 | \$ - | \$ - | \$ - | \$ - | \$ 6,352 | \$ 804,653 |
| City court/prosecutor fees | - | - | - | - | - | - | - |
| Interest earned | (3,695) | - | 23 | 5 | - | - | - |
| Grant proceeds and other contributions | - | - | - | - | - | - | - |
| Other revenues | - | - | - | 9,930 | - | - | 41,543 |
| Total revenues | 66,079 | - | 23 | 9,935 | - | 6,352 | 846,196 |
| Expenditures: | | | | | | | |
| General government | - | 111,902 | - | - | - | 7,981 | - |
| Public safety | - | - | - | - | - | - | - |
| Public works | 24,898 | - | - | - | - | - | 421,655 |
| Capital outlay | - | - | - | - | - | - | - |
| Total expenditures | 24,898 | 111,902 | - | - | - | 7,981 | 421,655 |
| Excess (deficiency) of revenues over expenditures | 41,181 | (111,902) | 23 | 9,935 | - | (1,629) | 424,541 |
| Other financing sources (uses): | | | | | | | |
| Transfers to other funds | - | - | - | - | - | - | - |
| Transfers from other funds | - | 150,000 | - | (14,139) | - | 10,000 | - |
| | - | 150,000 | - | (14,139) | - | 10,000 | - |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 41,181 | 38,098 | 23 | (4,204) | - | 8,371 | 424,541 |
| Fund balance (deficit), beginning | 262,657 | - | - | 15,591 | 794 | - | 585,017 |
| Fund balance (deficit), ending | \$ 303,838 | \$ 38,098 | \$ 23 | \$ 11,387 | \$ 794 | \$ 8,371 | \$ 1,009,558 |

See accompanying independent auditors' report

(continued)

CITY OF BAKER
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

| | Special Revenue Funds | | | | | | | Total Non-Major Governmental Funds |
|---|--------------------------------|------------------------------|--------------------|----------------------------|-------------------|------------------------------|-------------------------------|---|
| | 911 Communications Fund | Supplemental Pay Fund | Grant | Project Acquisition | City Court | Marshall Account Fund | Fire District One Fund | |
| Revenues: | | | | | | | | |
| Charges for services | \$ 186,567 | \$ - | \$ - | \$ - | \$ 110,683 | \$ - | \$ 104,020 | \$ 1,282,049 |
| City court/prosecutor fees | - | - | - | - | - | 302,172 | - | 302,172 |
| Interest earned | - | - | 132 | 108 | - | - | - | (3,427) |
| Grant proceeds and other contributions | - | - | 7,102 | - | - | - | - | 7,102 |
| Other revenues | 35,000 | - | - | - | 205,685 | - | - | 292,158 |
| Total revenues | 221,567 | - | 7,234 | 108 | 316,368 | 302,172 | 104,020 | 1,880,054 |
| Expenditures: | | | | | | | | |
| General government | - | - | 17,415 | - | 222,103 | - | - | 359,401 |
| Public safety | 99,715 | - | - | - | - | 174,383 | 45,621 | 319,719 |
| Public works | - | - | - | - | - | - | - | 446,553 |
| Capital outlay | 50,000 | - | - | - | - | - | - | 50,000 |
| Total expenditures | 149,715 | - | 17,415 | - | 222,103 | 174,383 | 45,621 | 1,175,673 |
| Excess (deficiency) of revenues over expenditures | 71,852 | - | (10,181) | 108 | 94,265 | 127,789 | 58,399 | 704,381 |
| Other financing sources (uses): | | | | | | | | |
| Transfers to other funds | - | - | - | - | - | - | - | - |
| Transfers from other funds | - | - | - | - | - | - | - | 145,861 |
| | - | - | - | - | - | - | - | 145,861 |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 71,852 | - | (10,181) | 108 | 94,265 | 127,789 | 58,399 | 850,242 |
| Fund balance (deficit), beginning | 239,388 | 32,632 | (7,142) | 335 | 892,200 | 165,851 | 56,048 | 2,243,371 |
| Fund balance (deficit), ending | \$ 311,240 | \$ 32,632 | \$ (17,323) | \$ 443 | \$ 986,465 | \$ 293,640 | \$ 114,447 | \$ 3,093,613 |

See accompanying independent auditors' report.

(concluded)

Other Reports

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

The Honorable Mayor Harold Rideau
and the Members of the City Council
Baker, Louisiana

We were engaged to audit, 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 Baker (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 15, 2014. We did not express an opinion on those financial statements because we were unable to obtain sufficient appropriate audit evidence regarding the amounts at which cash, accounts receivable, inventory, accounts payable, utility deposits payable, and fund balance and net position amounts are recorded. Except as discussed in the preceding sentence, 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.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013-1 through 2013-6.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: 2013-9 and 2013-10.

Compliance and Other Matters

As part of our engagement to obtain reasonable assurance about whether the City of Baker'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-6 through 2013-12.

City of Baker's Responses to Findings

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

Purpose of this Report

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

Postlethwaite + Netterville

Baton Rouge, Louisiana
January 15, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

The Honorable Mayor Harold Rideau
and the Members of the City Council
Baker, Louisiana

Report on Compliance for Each Major Federal Program

We were engaged to audit the City of Baker's (the City's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were unable to obtain sufficient audit evidence of the amounts reported in the basic financial statements and have issued a disclaimer of an opinion within our report on the City's basic financial statements on pages 1 through 3 of this presentation. Likewise, we have also issued a disclaimer of opinion on the amounts reported in the accompanying schedule of expenditures of federal awards, presented as supplement information to those financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, which impacts our ability to identify and determine the existence of major programs of the City, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013. Accordingly, we do not express an opinion on compliance.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-13 to be a material weakness.

City of Baker's Responses to Findings

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. That response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Postlethwaite + Netterville

Baton Rouge, Louisiana
January 15, 2014

CITY OF BAKER
BAKER, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

| <u>Federal Grantor/ Pass-Through Grantor/ Program Name</u> | <u>Grant Year</u> | <u>Grantor Project Number</u> | <u>CFDA Number</u> | <u>Expenditures 2013</u> |
|--|-----------------------|---------------------------------------|------------------------|------------------------------|
| <u>UNITED STATES DEPARTMENT OF AGRICULTURE</u> | | | | |
| Pass-through program from Louisiana Department of Children & Family Services Disaster Supplemental Nutrition Assistance Program (SNAP) | 12-13 | N/A | 10 577 | <u>\$ 26,302</u> |
| <u>UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | |
| Pass-through program from Louisiana Office of Community Development. CDBG Code Enforcement Program | 12-13 | N/A | 14.228 | <u>9,132</u> |
| <u>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</u> | | | | |
| Pass-through Louisiana Department of Environmental Quality Capitalization Grants for Safe Drinking Water State Revolving Funds | 12-13 | 1033003-01B | 66.468 | <u>1,213,495</u> |
| <u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u> | | | | |
| Pass-through the State of Louisiana Office of Emergency Preparedness FEMA - Public Assistance Grants | 12-13 | N/A | 97.036 | <u>72,573</u> |
| Total Expenditures of Federal Awards | | | | <u><u>\$ 1,321,502</u></u> |

See the accompanying notes to the schedule of expenditures of federal awards.

CITY OF BAKER, LOUISIANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Baker is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF BAKER, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Disclaimer of Opinion*

Internal Control over Financial Reporting:

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes none reported
- Noncompliance material to financial statements noted? x yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? x yes no
- Significant deficiency(s) identified that are not considered to be material weaknesses? yes x none reported

Type of auditors' report issued on compliance for major programs: *Disclaimer of Opinion*

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?

 x yes no

Identification of Major Program:

CFDA Number
66.468

Name of Federal Program
Capitalization Grants for Drinking Water – State Revolving Funds

- The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.
- The City did not qualify as a low-risk auditee

CITY OF BAKER, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

B. FINDINGS – FINANCIAL STATEMENT FINDINGS

2013-1 Reconciliation of Accounting Records

Criteria: To ensure the accuracy of accounting records and serve as a means to detect potential improper activity, the general ledger accounting records should be reconciled to subsidiary records and to bank and investment account records on a timely basis.

Condition: General ledger accounts were not reconciled to subsidiary records or to bank and investment account statements. Cash accounts, investment accounts, utility accounts receivable, accounts payable, payroll withholding accounts, sales tax revenue and other accounts were not reconciled during the fiscal year.

Effect: Without this task being performed regularly, accounting records may be inaccurate and improper activity may not be detected.

Cause: The City does not have a procedure in place to reconcile accounts on a timely basis.

Recommendation: Accounts should be reconciled on a regular basis and should be made routine procedure.

Management's corrective action plan: We concur with the finding. The City will implement procedures to execute monthly reconciliation of the accounting records to ensure accuracy and aid in the timely detection of any irregular activity.

2013-2 Segregation of Duties

Criteria: Segregation of duties should be adequate within the City's accounting department to provide effective internal control.

Condition: There is inadequate segregation of duties within the City's accounting department. The following was observed:

- The Finance Director has the ability to create vendors, process checks, sign checks, and record transactions and journal entries. Although dual control has been designed to mitigate this inadequate segregation of duties through the requirement for two check signatures (generally from the Treasurer and the Mayor), possession of a Mayor's signature stamp by the Finance Director and the Treasurer renders that mitigating control ineffective.
- The Finance Director has the ability to access and alter payroll data within the payroll system. This access, combined with the ability to approve payroll runs and keep the accounting records does not allow for appropriate segregation.
- An individual who prepares deposits also maintains the cash receipts ledger and posts entries to the general ledger.
- City Court Accounting Functions are also inadequately segregated. The same person reconciles the bank statement, has access to cash and checks, and performs the accounting functions.

CITY OF BAKER, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENT FINDINGS

2013-2 Segregation of Duties (continued)

Effect: The segregation of duties is inadequate to provide effective internal control over cash disbursements. Inadequate segregation of duties could lead to inaccurate financial reporting and misuse and misappropriation of City Funds.

Cause: The size of the City's staff is insufficient to properly segregate duties within the accounting department

Recommendation: The City should consider adding additional resources to the accounting department and re-assigning certain duties within the Finance Department.

Management's corrective action plan: We concur with the finding. The City will hire additional personnel within the finance department to properly segregate duties and reassign tasks for internal control.

2013-3 City Court's Accounting for Court Cases and Cash Bonds

Criteria: Best practices for amounts held for others (case deposits and cash bonds) suggest that an accounting be kept for the amounts held for others that identifies each case and the amount held for that case and the accounting be reconciled to the general ledger.

Condition: The Court's case accounting system is not reconciled to the general ledger.

Effect: Without the occurrence of the reconciliation process, the completeness and accuracy of amounts held for others cannot be ensured.

Cause: The Court's clerical personnel were not aware of the need to prepare such reconciliations.

Recommendation: Case balances per the caseware management system should be reconciled to the general ledger on a monthly basis.

Management's corrective action plan: Management concurs with this finding. The City's mayor and finance director will meet with the Court's judge and clerk to implement procedures to reconcile the Court's case deposits and cash bonds to the City's general ledger.

2013-4 Accounting Policy for Pre-need Cemetery Sales

Criteria: Generally Accepted Accounting Principles require that all products or services being sold be delivered to the purchaser prior to recognition of the revenue for those services and products by the seller.

Condition: The City sells cemetery products and services in advance of the time that the services and products are needed (pre-need) and accounts for the transactions of the cemetery within its Cemetery Enterprise Fund. The City recognizes revenue from the sales of pre-need products and services at the time the purchaser pays for the products or services rather than when the product or service is provided.

CITY OF BAKER, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENT FINDINGS

2013-4 Accounting Policy for Pre-need Cemetery Sales (continued)

Effect: This accounting policy does not allow for compliance with generally accepted accounting principles (GAAP)

Cause: The City's accounting staff are not properly trained for the complexities of cemetery accounting matters.

Recommendation: The City should amend its practice of revenue recognition so that such revenue is recognized at the time the products and services are delivered

Management's corrective action plan: We concur with the finding. The City will revise its procedures of pre-need sales and/or services in accordance with the Generally Accepted Accounting Principles.

2013-5 Internal Financial Reporting

Criteria: Those charged with Governance (Mayor and the Council) should be provided with monthly financial statements that summarize the financial activity and position of the City's funds in a manner that fosters high level review of compliance matters and decision making.

Condition: The financial reports provided to the Council and the Mayor are not summarized sufficiently or presented in a manner to allow for review of compliance matters and decisions making. Additionally, the reports provided to the Council and the Mayor may have contained inaccuracies.

Effect: Those charged with governance may not have the tools to carry out their governance duties with respect to the City's finances.

Recommendation: Rather than a detailed trial balance report by account, those charged with governance should be provided with key financial data and a summary of the major funds' revenues, expenditures or expenses compared to budget, and fund balances.

Management's corrective action plan: We concur with the finding. The City will provide the Mayor and the Council with a sufficiently, summarized monthly report of the City's financial activity to aid in their decision making processes and review of compliance matters.

NON COMPLIANCE WITH STATE LAWS AND REGULATIONS

2013-6 Cemetery Fund Accounting Records

Criteria: LA R.S. 24:513 and 33:463 require the local governments to maintain accounting records in such a manner to provide evidence of legal compliance. LA R.S. 8:502 requires that seventy percent of the sales proceeds of "pre-need" cemetery products and services be deposited into a trust account and that detailed accounting records be kept for each deposit to the trust.

CITY OF BAKER, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

NON COMPLIANCE WITH STATE LAWS AND REGULATIONS (continued)

2013-6 Cemetery Fund Accounting Records (continued)

Condition: The City has established the trust for pre-need sales in accordance with the statutes and routinely deposits seventy percent of the proceeds as required by law. However, the detailed account records of the deposits within the trust is not maintained and reconciled by the City.

Additionally, the accounting records of the City's inventory of unsold lots and merchandise payable, is decentralized and is not reconciled to the Cemetery fund's general ledger.

Effect: The City is noncompliant with the aforementioned statutes regarding pre-need trust deposits. Without detailed accounting records that are reconciled to the general ledger and trust account balances, completeness and accuracy of amounts held in trust as well as the Cemetery Fund's inventory and merchandise payable general ledger accounts cannot be assured.

Cause: The City's accounting staff are not properly trained for the complexities of cemetery accounting matters.

Recommendation: The City should construct and maintain detailed accounting records of each deposit into the pre-need trust account.

Management's corrective action: We concur with the finding. The City will implement procedures to be in full compliance of LA R.S. 24:513, 33:463, and 8:502 to keep detailed accounting records that are centralized and reconciled to the Cemetery fund's general ledger.

2013-7 Noncompliance with Bond Covenants

Criteria: The City's General Bond Ordinance authorizing the issuance of Water Revenue Bonds requires that certain funds and accounts be established.

Condition: The City is not in full compliance with the bond covenants requiring the establishment of certain accounts to be restricted as to use. A Water System Debt Service Fund, two Debt Service Reserve Accounts, and a Depreciation and Contingency Fund are required. While the City has certain accounts identified as being associated with debt of the City, these accounts are not formally named and identified as being restricted for the 2010 A and B bonds and these accounts are excluded from the City's general ledger. The Depreciation and Contingency fund has not been established.

Effect: The City is not in compliance with its bond covenants as specified in the bond ordinance.

Cause: The City's staff may not be fully aware of the requirements of the ordinance.

Recommendation: We recommend that the City fully comply with all of the bond covenants set forth in the bond ordinance, to clearly name all accounts consistently with the Bond Ordinance so as to demonstrate compliance and to account for these accounts in the City's general ledger.

Management's corrective action plan: We concur with the finding. The City will clearly name all accounts and set up the specified funds to be in full compliance with the bond covenant requirements.

CITY OF BAKER, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

NON COMPLIANCE WITH STATE LAWS AND REGULATIONS (continued)

2013-8 Public Bid Law

Criteria: According to Louisiana Public Bid Law, the City is required to obtain and maintain documentation of at least three telephone or facsimile quotes for purchases in excess of \$10,000 and a public advertisement must be made for all purchases exceeding \$30,000.

Condition: The City's purchase of a Chevrolet Tahoe, with an invoice price of \$37,204 did not undergo the bid process. City representatives assert that it was purchased using the state contracted price as allowed by law, however, documentation of use of a state contract price was not provided to the auditors.

Effect: The City may not be in compliance with Public Bid Law with respect to this purchase.

Cause: Misinformation regarding whether the vehicle was purchased using the state contracted price.

Recommendation: We recommend that the City's purchasing director monitor all vehicle purchases to ensure compliance with public bid law.

Management's corrective action plan: We concur with the finding. The City will implement procedures to acquire and keep proper records for all vehicle purchases and ensure that these purchases are in compliance with the public bid law.

2013-9 Local Government Budget Act – Budget Format

Criteria: LA R.S. 39:1305 requires the proposed budget to be presented in such a manner that portrays revenues, expenditures, and fund balances of the current fiscal year, a projection of same to the end of the current fiscal year, the proposed budget for the next fiscal year, and appropriate variances among the columns. Revenues, expenditures, beginning fund balance and ending fund balance must be portrayed. Expenditures are to be presented by department, function and natural classification. Examples are available on the Louisiana Legislative Auditor's website.

Additionally, the state requires that budgets be amended when expenditures and transfers out or revenues and transfers in exceed a 5% unfavorable variance.

Condition: The 2012-2013 budget does not fully comply with the format described in 39:1305 because it does not include expenditures by natural classification and does not clearly portray beginning and ending fund balances. Also, the general fund's expenditures plus transfers out exceeded that which was budgeted by more than 5%.

Effect: The detail of information required by the statute is not presented. Additionally, without portrayal of the beginning and ending fund balances the City may not be aware of its available operating reserves.

Cause: Unfamiliarity with the statute.

Recommendation: The City should comply with the new features of the Local Government Budget Act and include all required detail.

CITY OF BAKER, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

NON COMPLIANCE WITH STATE LAWS AND REGULATIONS (continued)

2013-9 Local Government Budget Act – Budget Format (continued)

Management's corrective action plan: We concur with the finding. The City will present future budgets in the appropriate format as described in LA R.S. 39:1305 to comply with the new features of the Local Government Budget Act.

2013-10 Local Government Budget Act and Expenditure Documentation - City Marshal Funds

Criteria: The City Marshal's fund is reported as a special revenue fund of the City. LA R.S. 39:1305 requires that all special revenue funds be included in a government's annually adopted budget and to undergo the public inspection, adoption, and approval processes.

Condition: The City Marshal's fund was not included in the budget process for the City for the fiscal year 2012-2013.

Additionally, in our sample-testing of disbursements, we noted that approximately \$15,000 of disbursements from the Marshal's account for the payment of costs charged to the Marshall's credit card, lacked sufficient supporting documentation (actual invoices for purchases).

Effect: Without undergoing the budget approval process, public oversight and accountability for public funds may be lacking.

Cause: The autonomy with which the entity operates, which is authorized by statute, may have contributed to this condition.

Recommendation: The City Marshal's fund should be included in the City's annual budget document and undergo the budget approval process as part of the City's overall budget. Alternatively, the Louisiana Audit Guide acknowledges that Marshall's funds are often reported as part of the City Court. The Marshal may want to consider budgeting and financial reporting using this alternative.

Also, all original invoices to support credit card transactions should be maintained on file.

Management's corrective action plan: We concur with the finding. The City will present future budgets in the appropriate format as described in LA R.S. 39:1305 to comply with the new features of the Local Government Budget Act.

2013-11 Taxes Not Levied

Criteria: Article II, section 17 of the City's charter requires that the levy of taxes be done so through ordinance.

Condition: The City is authorized, in perpetuity, to levy a one half cent sales tax dedicated to Police and Fire protection activities as approved by the electorate in 2001. The City levied this tax in 2001 through ordinance as required by its charter. The levy had a term of 10 years. However, no ordinance was passed by the council to once again levy the tax upon expiration of the 10 year term of the levy. The tax continues to be collected.

CITY OF BAKER, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

NON COMPLIANCE WITH STATE LAWS AND REGULATIONS (continued)

2013-11 Taxes Not Levied (continued)

Effect: The City may be receiving a tax it has not levied and therefore may be non-compliant with its charter.

Cause: The City's position is that the tax is permanent and that no formal action is needed to re-levy the tax.

Recommendation: The City should revisit the issue and obtain a legal opinion as to whether the tax needs to be re-levied

Management's corrective action plan: The City's position on this matter is that no action is needed in order to continue the collection of the tax because the original voter proposition approving the tax had no expiration.

2013-12 Compliance with Audit Law

Criteria: La. R.S. 24:513 provides that an annual audit must be remitted to the Louisiana Legislative Auditor within six months of the close of the fiscal year.

Condition: This deadline was not met for the current year.

Effect: The City is non-compliant with the audit law.

Cause: Complex audit and accounting matters that needed to be resolved.

Recommendation: The City and the Auditor should resolve complex matters earlier in the audit process.

Management's corrective action plan: We will work with our auditor to resolve issues more timely.

CITY OF BAKER, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-13 Reconciliation of Accounting Records

Program – All federal programs

- See 2013-1

CITY OF BAKER, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012

2012-1 Compliance with Audit Law

Criteria: La.R.S. 24:513 provides that an annual audit must be remitted to the Louisiana Legislative Auditor within six months of the close of the fiscal year.

Condition: The deadline was not met for the current year.

Effect: The City is non-complaint with the State's Audit Law

Management's

Response: Our auditor was not able to meet the required deadline

Current Status. The deadline was not met for the 2013 fiscal year's audit See finding 2013-12.